AMERICAN BANKERS Association JOURNAL

"Let's stop analyzing the unemployed man and put him to work."
—*Walter C. Teagle*

NOVEMBER 1932

A Five-Step Program for County Groups
4,398 Bond Issues Surveyed—Instalment Credit
Post-Election Problems—Germany's Dollar Debts
The Los Angeles Convention

PUBLISHED IN TWO SECTIONS · SECTION ONE

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FEATURES FOR NOVEMBER, 1932

DEPARTMENTS

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Behind the Bond News

THE grist of bond market news has of late been less uniformly encouraging. Although in the long-term view certain recent developments may be of signal importance in restoring bond prices to more seemly levels, other events of a manifestly unfavorable significance have exerted the greater influence on the course of prices, with the result that the general trend has been irregular to slightly lower.

To take up the adverse developments first, it can be recorded that the Reconstruction Finance Corporation, with the Interstate Commerce Commission of course concurring, has been rather less than generous in the aid it offered the New York, Chicago and St. Louis Railroad (Nickel Plate) in meeting the $20,000,000 maturity of 6 per cent notes on October 1; also, that New York City bonds, which are always first in volume and usually first in investment rating in the municipal market, have yielded a considerable portion of their heartening gains upon the refusal of dominant local political interests to nominate for mayor that person whose moves for economy imparted strength to the city's obligations. The Nickel Plate maturity has been discussed before now in these columns. It need only be added that the Reconstruction Finance Corporation offered the railroad assistance to the extent of but 25 per cent of the maturing issue.

GALLOWAY

THE COOLIDGE COMMITTEE

THERE is reason for hope that the railroad financial problem may soon be answered, not by the Corporation, but by the newly appointed non-partisan railroad committee headed by former President Calvin Coolidge and including Alfred E. Smith, Alexander Legge, Clark Howell, Sr., and Bernard M. Baruch. This committee has promised to delve deeply into the problem and to make definite recommendations. There is reason for believing that the suggestions of so distinguished a committee may carry great weight with Congress and that necessary legislation to carry out the recommendations may be placed on the statute books at the next session. Appointment of this committee is the chief item of news beneficial to bond prices, others being that the banking position has become increasingly comfortable and that Government obligations have held up well, particularly the short maturities.

A degree of concern has been felt in some quarters over the fate which lies in store for United States Government bonds when that day comes, as inevitably it must, for the Federal Reserve banks to begin the liquidation of their record breaking holdings of securities. Those who feel this concern take the view that the Federal Reserve's portfolio constitutes a serious threat to the market, and that because of this large overhanging block of securities the recent improvement in the Treasury's obligations is not so well grounded as the behavior in prices might seem to indicate. It is not too much to say that this attitude on the part of certain investing interests has acted as a deterrent to the extension of the rally in long-term Government issues.

An examination of the Federal Reserve position in securities, however, does not substantiate these fears. The evidence would seem to point, on the contrary, to a minimum of disturbance resulting from the lightening of the Federal Reserve portfolio.

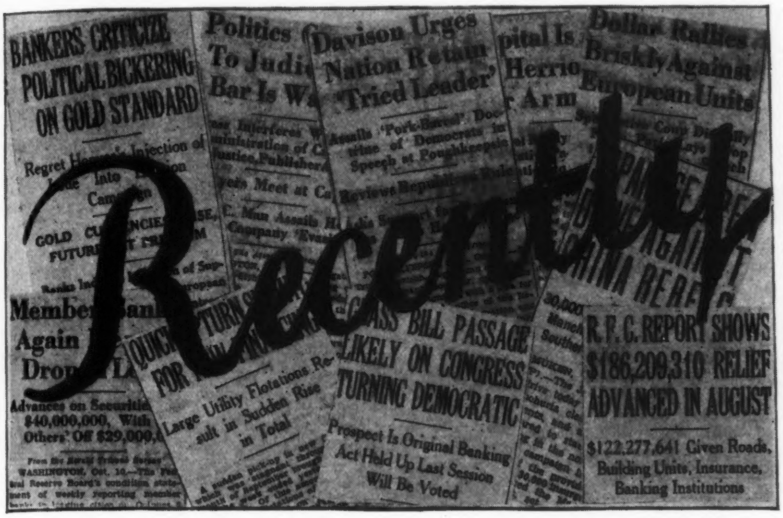
It can be taken as a premise that the Federal Reserve under no circumstance will sell, or allow to run off, any substantial amount of its Government securities until business has demonstrably begun to improve. Hopes and expectations of a business recovery will not be enough to sway the System's judgment. That being the case, the long-term Government securities market should hold its own, or even advance, in the face of a gradual run-off of the System's holdings, for when conditions are improving and confidence is better distributed, the yields on long-dated Treasury obligations should be lower than they now are.

WHEN BUSINESS IMPROVES

WITH business on the mend, the Treasury's revenue simultaneously will begin to increase, and the volume of new issues, necessary either for the financing of the deficit or for the needs of the Reconstruction Finance Corporation, will diminish. The larger tax income and the whittling down of the deficit are in themselves enough to give more strength to Government bonds.

When business begins to get better two sets of forces from different directions will begin to tug on Government issues. One is the hardening of money rates which accompanies an increase in the demand for credit; the other is the improvement in the Government's credit position which results from the rise in tax revenues. Of the two forces, it is probable that the latter—at least until business is well along on the road to recovery, will exert the more powerful influence.

Consider the case of long Government security yields in 1927 and 1928. As the year 1927 (CONTINUED ON PAGE 58)



GOVERNMENT FINANCE, RECONSTRUCTION

PRESIDENT Hoover, on September 13, instructed J. Clawson Roop, director of the budget, to investigate the possibility of consolidating and reducing the number of Federal agencies and to prepare the necessary order for a reorganization of the entire structure of the Government. This order will be laid before Congress for action as soon as the latter convenes.

New taxes and higher rates brought total internal revenue receipts for August to $79,940,310, an increase of $18,253,843 over July and $11,546,170 over August, 1931.

New Government public financing continues to meet with an enthusiastic reception by investors. The September 15 financing consisted of $750,000,000 5-year 3¼ per cent notes and $400,000,000 1¼ per cent 1-year certificates, an aggregate of $1,150,000,000, and brought nearly $7,500,000,000 in subscriptions. There was another heavy over-subscription of $450,000,000 in 4½ year notes bearing 3 per cent, offered early in October, while an offering of $75,000,000 92-day Treasury bills made at the same time went at the record low discount of 0.19 per cent. The mid-October financing of the Treasury brought the total public debt to $20,753,000,000.

The Reconstruction Finance Corporation, according to a report published on October 4, made cash disbursements of $1,182,734,958 during the first seven months of its existence. Seventy per cent of the loans to banks and receivers went to institutions in towns with less than 5,000 population. South Trimble, clerk of the House of Representatives, again on October 7 announced publicly, over the protests of the R.F.C. chairman, Atlee Pomerene, the details of all borrowing during the previous month. The R.F.C. in September, his report showed, lent $63,931,669 for relief and cotton stabilization, and $122,277,641 to financial institutions, a total of $186,209,310.

RAILROADS

RAILROAD labor unions announced on September 15 that they would "under no circumstances agree to wage reductions" suggested by the railroad managements. Refusing to discuss the question further with the carriers, the unions carried their case to the White House on September 22, urging upon President Hoover that R.F.C. loans be made conditional on maintenance of existing wage scales. On September 26 the President made an appeal to railroad employers, asking that settlement of the wage problem be put over until after election. The latter accepted the proposal on October 5, and announced that the present wages would obtain until a new scale could be worked out. In the ordinary course of events the present agreement with labor expires February 1.

On September 24 came the news that the heads of the Big Four trunk lines in the East had agreed finally upon the Interstate Commerce Commission's consolidation plan for this region. This marks the end of a seven-year controversy among the Pennsylvania, the New York Central, the Baltimore and Ohio, and the so-called Van Sweringen lines.

On September 25 plans were made public for the establishment of a nonpartisan committee of four outstanding Americans to inquire into the transportation problem as a whole and suggest a remedy for the present difficulties. Former President Calvin Coolidge heads the group, and with him are associated

Alfred E. Smith, Alexander Legge, and Clark Howell, Sr., publisher of the Atlanta Constitution. The Coolidge Commission, in a statement issued October 7, announced the appointment of Harold G. Moulton, president of Brookings Institute, as chief investigator, and expressed the opinion that its report would be ready in three months.

On September 30 the Nickel Plate Railroad (New York, Chicago and St. Louis) defaulted on an issue of $20,000,000 6 per cent notes. Whether the default will lead to receivership hangs on the question of how many assents the road receives from note holders to a plan for meeting the maturity with a cash payment of 25 per cent and a new note for the remainder, the funds having been advanced for such a program by the Reconstruction Finance Corporation.

WAR DEBTS

THREE foreign debtors, Esthonia, Latvia, and Poland, notified the Treasury Department on September 14 that they would take advantage of the clause in the debt funding agreement permitting them to postpone payments on principal account for two years. The total involved, which would have been due on December 15, is $1,252,000. No effort was made by England to seek relief along these lines before the time limit for such notification expired on September 15, creating the assumption that payment of that country's $40,000,000 would be made when due. It is probable, however, that the British are counting on an extension of the present moratorium.

On September 27 a committee not unlike that created to study the railroad problem was formed for consideration of international governmental debts. Alfred P. Sloane, Jr., president of General Motors Corporation, was named permanent chairman; Charles H. Strong, secretary of the Bar Association, secretary; and Henry P. Fletcher, former Ambassador to Italy, treasurer. Vice-chairmen include Nicholas Murray Butler, John W. Davis, Frank O. Lowden, D. B. Robertson, Louis J. Taber, A. F. Whitney, James M. Cox, Henry P. Fletcher, Edward A. O'Neal, Alfred E. Smith, Henry A. Wallace, and George W. Wickersham.

Secretary Mills, on September 29, waived the 90-day clause permitting the postponement by Germany of payments due September 30 amounting to $7,800,000 on account of costs of the American Army of Occupation and awards by the Mixed Claims Commission.

In his Des Moines address on October

4, President Hoover declared that, as part of his farm relief program, he would recommend that "any payments on the foreign debts be used to secure expansion of the foreign markets for American farm products."

BUSINESS

BETTER than seasonal gains were reported in employment in New York State for August, that month showing a rise of 2.9 per cent against a normal rise of 1 per cent, according to a report published September 13. An audit of the Federal Court on September 13 revealed that Insull Utility Investments, the Insull holding company, owed $253,000,000 when it went into receivership in April, and had only $27,000,000 in assets.

Foreign trade in August showed the first upturn since March, exports totaling $109,000,000 against $107,000,000 in July, and imports $91,000,000 against $79,000,000. Favorable balance was $18,000,000, compared with an unfavorable balance a year ago of $2,000,000.

On September 19 the Bureau of Labor Statistics announced an advance in wholesale prices of 1 per cent for August; on September 20 bank failures were reported at 85 for August, the smallest total since May; and on September 21 employment figures for the country as a whole were released by the Bureau of Labor Statistics, disclosing a rise of half of one per cent. This was the most favorable report since the beginning of the depression. On October 7, S. W. Straus and Company was ordered into Martin Act receivership by the Supreme Court in New York. The new cotton crop was estimated on October 8 at 11,425,000 bales, a rise of 115,000 over a month ago.

POLITICAL

PRE-ELECTION developments overshadowed many domestic and foreign events in news importance last month.

Franklin D. Roosevelt, the Democratic nominee, was the first of the Presidential candidates to launch a vigorous personal speaking campaign, President Hoover entrusting his actual field work in September chiefly to Ogden L. Mills, Secretary of the Treasury, and Patrick J. Hurley, Secretary of War.

The President swung into action himself at Des Moines on October 4, with an address in which he reviewed the Administration's efforts to allay the financial panic, and made 12 proposals for farm relief. Mr. Roosevelt had opened his speaking (CONTINUED ON PAGE 66)

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Post-Election Problems—

Reconstruction and Recovery

Unemployment and Relief

International Economic Conference

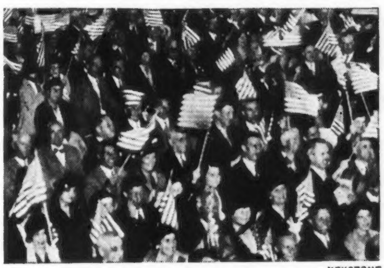
Reparations and the War Debts

Government in Business

Tariff Revision

Prohibition Repeal

Special Session?


KEYSTONE

By
MARK SULLIVAN

In the JOURNAL for September Mr. Sullivan pointed out that conservatism dominated the political scene in this year's campaign. Here he looks beyond the election on November 8 and discusses the problems to be faced by Congress in December and by the next Administration, Republican or Democratic, after March 4

IN the set-up of the political situation as it will exist after November 8, there are two fixed factors. The first is that whoever wins, President Hoover will remain in office until March 4. The second is that whoever wins, there will be a session of Congress beginning December 5. This will be a short session coming automatically to an end on March 4. Because it is a short session, with only about 75 working days and depending somewhat on the length of the Christmas recess, it is a perfectly safe assumption from past precedent that the session will do little other than pass regular appropriation bills and attend to other routine business.

At this point some divergence begins, depending upon whether President Hoover is reelected or Governor Roosevelt takes his place. Governor Roosevelt has announced that he, if elected, will call a special session of Congress immediately after March 4. Such special session would presumably remain sitting throughout practically all the coming year. Whether President Hoover, if reelected, would call a special session, is not known. He has said nothing and the probable presumption is he would not.

An early major problem after November 8 will be the war debts. The moratorium initiated by President Hoover in July, 1931, was for one year. Since, however, most of the instalments come due on June 15 and December 15, the moratorium actually continues until December 15 next. Presumably, immediately after the election is over, this subject will become active. Our European debtors sufficiently understand American politics to have refrained from suggesting anything until after election. So far as the record stands, it calls for their coming forward with the regular instalments due in December. Among themselves, however, as between Germany on the one side and the recipients of reparations on the other, certain arrangements have been made. Based on this changed status, some European governments may or may not suggest corresponding changes as between them and the United States.

In the meantime at home there has arisen during the campaign some favor for a proposal originated in its most specific form by Senator Borah, chairman of the Foreign Relations Committee, to the effect that the United States should be willing to agree to waive instalments of these debts, if the debtors in exchange would adopt measures enlarging the market for American farm products. The suggestion was mentioned favorably by President Hoover in his acceptance speech and in his Des Moines address October 4. Something like it is favored by Alfred E. Smith.

A variety of other suggestions have been made. At the same time a considerable section of American opinion insists, almost violently, that the debts must be paid. All that can be said with confidence is that the broad question of war debts will surely come forward immediately after election. Whatever immediate step is taken must be taken, so far as it is within the control of the United States, by President Hoover because, whether reelected or not, he will con-

Regardless of who wins, the measures and institutions set up under President Hoover's leadership for the amelioration of depression and for stimulating business recovery, such as the Reconstruction Finance Corporation, are likely to continue without material change. President Hoover is satisfied with them. The Democratic candidate has not questioned them.—The Author

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tinue in office at the time the next instalments come due.

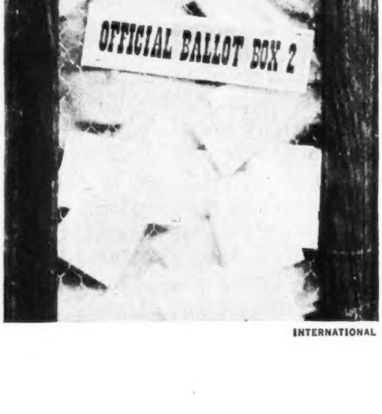
Another international development regarded as important and of high potential value, which will occur between the election and the end of the year, will be an international economic conference. The United States will participate. Congress has appropriated $250,000 for the expenses of our participation. The broad purpose of the conference is to better economic conditions throughout the world. A natural effect of success would be a rise in commodity prices accompanied by increased volume of world trade. Probably the matters to be most directly treated will be those having to do with the stabilization of exchange, to the end of facilitating international trade. This conference will be held regardless of which party wins the election and the delegates to it will be appointed by President Hoover. If its deliberations and conclusions should include recommendation of legislation by the United States, such legislation would of course be a matter for Congress, either Congress as a whole or the Senate in its rôle as ratifier of treaties. This, if it should be one of the outcomes of the conference, might or might not come up during President Hoover's present term, or else after March 4.

Regardless of who wins, the measures and institutions set up under President Hoover's leadership for the amelioration of depression and for stimulating business recovery, such as the Reconstruction Finance Corporation, are likely to continue without material change. President Hoover is satisfied with them. The Democratic candidate has not questioned them. Probably either President Hoover or Governor Roosevelt would try to bring about certain minor additions and perfections of detail. The institutions as a group would continue to function. A common judgment is that these institutions, coupled with the natural forces of recovery, are sufficient to insure progress toward prosperity at one pace or another. In other words, this common judgment holds that progress of recovery is not likely to be arrested by either outcome of the election, though the pace at which it proceeds may be modified—so this judgment holds—in the direction of rapidity by Republican success, less rapidity by Democratic success.

It is true that any change of administration, whether from Republican to Democratic or vice versa, has a tendency to give rise to a period of pause. This tendency is emphasized somewhat in the present case by the question whether the Democrats, if they should win, would or would not undertake a general revision of the tariff.

TARIFF PROBLEMS

A GENERAL revision of the tariff would inevitably add a certain area of uncertainty to the already uncomfortably large number of uncertain factors in the economic world. That part of American business which is affected closely by the tariff would be uncertain, until the completion of the tariff revision, about the prices of such of their raw materials or of their products as are affected by the tariff. A general revision of the tariff has come to be an extremely long process. The last one consumed more than 14 months. It is safe to say that such a general revision as would naturally be undertaken, if at all, by a new party coming into power, would be long. The Democratic Underwood bill in 1913 consumed six months. It might readily run well into the year 1934. Whether the Democrats would actually embark upon a general revision is uncertain. They are under no direct pledge to do so. Neither their platform nor their candidate has promised it. Such tariff modification as they have pledged themselves to might readily be undertaken gradually and piece-meal.



INTERNATIONAL

Much in the political field and otherwise depends upon the state of business during the coming winter. Unless business shall have improved markedly, this will be the fourth winter of depression and widespread unemployment. The consequences of unemployment naturally grow more acute with prolongation of the period of it. Probably few affected by unemployment continue now to have savings with which to withstand it. Unemployment, in other words, if it is still with us the coming winter to anything like the same degree as a year ago, will be a serious problem. If serious, it will have effects in Congress; we shall see proposals for relief by Government appropriation, proposals taking both the form of direct relief and that of increased Government expenditure for public works. Relief, if enacted before March 4, would probably take the same general form and direction as it has already had under Mr. Hoover's Presidency. Relief, if enacted after March 4 and if the Democrats should be in power, might or might not take a somewhat different form.

Something will be done, and soon, about national prohibition. It can only be done or initiated by Congress. Whether the Congress that ends on March 4 will act is doubtful. The session is short and the question is controversial and fecund of long speeches. Only some kind of overwhelming demonstration of anti-prohibition sentiment in the election November 8 would be likely to lead this present Congress to act before March 4. After March 4 there will be action, whether President Hoover is reelected or whether Governor Roosevelt enters the White House. Governor Roosevelt has said that if he is elected he will, soon after his inauguration, probably during next March, call a special session of Congress to act on prohibition. In the net, about all that can be said is that something will be done. The nature of the action will depend comparatively little on which candidate is in the White House. Action upon prohibition involves amendment of the Constitution, and amendment of the Constitution is one thing from which the Constitution itself eliminates participation by (CONTINUED ON PAGE 58)

A Five-Step Program for County Groups

What One Banker Suggests for Planned Cooperation

By BERTRAM O. MOODY

Mr. Moody, who is vice-president of the First National Bank of Amherst, Mass., has contributed several very worthwhile articles to the JOURNAL this year. He believes in the future of regional clearinghouse associations in independent country banking, is active in his local group, and writes here from experience in presenting a definite plan of action

THE formation of so-called regional clearinghouse associations and county groups in the past two years is one of the surest signs that the constructive forces in country banking are at work to place these institutions on a sounder basis than ever before. These associations have been and are being formed with varying purposes in mind, from simple organizations originally planned chiefly for social purposes, to extensive regional clearinghouse setups with standardized charges and practices, exchange of credit information and control of multi-borrowing, examinations of members by auditors, and other activities designed to improve the banking structure.

With such a wide variety of associations it is difficult to outline a plan of activity which would fit every one, but it is possible to set down certain fundamentals and, with these in mind, to outline a number of objectives which regional clearinghouse groups might well strive for during the coming year.

FIRST, in any program I would plan for dinner meetings which would include both officers, directors, and the working members of the staff of each bank, such as assistant cashiers, tellers, etc.

There should be at least two and possibly three such meetings during the year. Our own group, comprising 19 commercial banks, holds two meetings, one in the late fall and another in the spring. The expenses are paid by the association and each bank is billed for its proportionate share after each meeting, so that it is not a personal expense of those attending. This is a very important feature, for it insures attendance and is money extremely well spent.

Clearinghouse groups have the opportunity to bring to each individual bank the vision of true banking at its best—The Author

At these meetings every effort is made to have each man widen his acquaintance with members from other banks, and we find that many come early in order to make the most of these social and business contacts. We have had speakers on general economic and financial subjects, as well as on service charges, safe deposit practices, trust business and cost analysis. These meetings are very valuable to every one. The officers and employees give and receive valuable ideas and the directors gain a much wider vision of banking as a whole. And not the least valuable is the opportunity for promoting friendship and understanding and a spirit of cooperation among the banks.

The events of the past two years have done more to create an atmosphere for cooperation than would have been possible in ten years of prosperity—The Author

The development of cooperation is a fundamental in clearinghouse effort. Probably no group in any line of industry clings more to rugged individualism than country bankers. The severity of the depression and the suddenness with which cataclysmic changes have occurred, however, have made directors and officers keenly aware of the need for organized effort to place their institutions on a sound and profitable basis. Nevertheless progress in this direction is sometimes slow, and the best method is education and acquaintanceship.

SECOND, I would plan for frequent meetings of the operating executive officers of the banks in the group, for the discussion of their specific problems.

The directors should be informed in a general way, but much more rapid progress can be made by making use of this smaller group. In our own case, we invite each bank to send two active officers, and here again the expense is borne by the banks. We have no set date for such meetings, but they are held upon call by a clearinghouse committee, made up of three members who have devoted much time to the work, including some traveling to other sections of the state where new systems have been installed.

THIRD, I would choose the problem which appeared the most important and would start this group on a comprehensive study and discussion.

The most pressing need for many banks is an increase in their earning power. With deposits in smaller volume and outside money rates low, the most obvious manner to increase income is to eliminate unsound competition among banks, especially those in the same or nearby communities, and to install adequate service charges to cover unprofitable practices.

If a uniform service charge has not been adopted for checking accounts, this group could have no better program for the coming year than a detailed study of this subject. A number of groups in New England have adopted a metered service charge on checking accounts and

Study courses for officers and employees through the American Institute of Banking, either in chapter classes or by correspondence, form one step in a county group program

are finding it a profitable venture. Our own group has devoted much time to this question and we were on the point of adopting it when the Government tax on checks was put into effect and this has held up the matter. It is, perhaps, not so pressing in our group, as practically all the banks have a minimum service charge of some kind.

Another most promising method of increasing the income of banks is a reduction in interest rates on deposits, especially in savings departments, although it is an excellent time to reduce interest rates on demand deposits almost to the vanishing point. A reduction of one half of one per cent means an additional income of $5,000 per year on a savings department of $1,000,000 in deposits. Many banks feel that they cannot reduce rates unless other banks in their neighborhood do likewise, but a reduction through the medium of the association and extending over considerable territory is both logical and easily accomplished.

Other problems which might be considered are minimum service charges on notes, charges for overdue notes, charges for issuing checks against insufficient funds, uniform rates for safe deposit rentals, and others of a similar nature of interest to local groups.

FOURTH, I would plan for a conference of the banks for the intensive study of some of the broader aspects of banking.

Such a conference might last for two days and be devoted to a comprehensive analysis of one or more subjects. In the JOURNAL for January of this year I outlined a tentative program for such an institute to be held for the study of bonds, and as this article is being written our group has practically completed arrangements for a two days' study course to be held in the near future. Through the cooperation of the Association and of the City College of New York, Dr. George W. Edwards, head of the department of economics of that college, will give lectures, and we expect it to prove of outstanding value.

SUBJECTS FOR DISCUSSION

THIS institute will be held in three, possibly four sessions, and the first day will be devoted to a discussion of such subjects as:

1. Distribution of assets to attain liquidity and solvency. 2. Relation of interest on deposits to yield on securities. 3. Business indices. 4. Forecasting of money rates. 5. Items in Federal Reserve bank statements affecting bond prices. 6. Banking statistics, and other topics of a similar nature.

The second day will be devoted to the general subject of investment analysis, and will cover the six major subdivisions of bonds—utility, railroad, municipal, etc. There will be opportunity for ample discussion by the bankers present, and each member will receive a set of forms and outlines for each session.

Altogether we believe this institute will be a step forward in group relations among banks. There is equal opportunity for similar study conferences in commercial paper, credit analysis, and country bank investment problems.

FIFTH, I would sell to each bank in the group the value of the courses now available through the American Institute of Banking, and would urge them to make it possible for a number of officers and employees to take advantage of these courses either by the formation of chapters or classes when possible, or by correspondence if group action is not practicable as it will not be in certain cases and localities.

The study of these courses has opened the door of opportunity to thousands of employees in the banks of the larger centers, and I believe they should be much more widely used by country banks.

The day has gone when a man could enter the banking business as a clerk or messenger, and by industry and patience eventually become an executive officer automatically. He may become a master of bank detail but the problems of the president and cashier can only be understood and solved if a man has the proper training and background in economics, finance and investments, all of which are now worldwide in their scope. This training cannot be obtained through handling routine work in the bank. It must be sought outside of banking hours in study courses and well organized wide reading.

The A. I. B. courses offer to the employees of country banks the fundamentals which they must have if they plan to get beyond the tellers' cages. The choice positions in banking will be filled from the ranks of those who realize that nobody gets very far who works only six hours a day. The regional clearinghouse associations should back these courses to the utmost, and the banks should be willing to pay for courses which are actually *completed* by their employees.

I believe there is a great future for regional clearinghouse associations in independent country banking. Too many banks have been closed because of incompetent management, and the fault in that respect lies at the door of the directors in employing men untrained and unfitted for their positions. I look forward to the day when the seal of membership in a regional clearinghouse group will be looked upon with the same respect as "sterling" on silver, as an indication that the bank which can qualify for membership in such a group represents the highest quality in banking service and strength.

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Regional clearinghouse associations are the instruments by which banks in the country can have all the benefits of organized effort and intelligence and can attain the relative strength of city banks and still maintain their identity as local institutions—The Author

The Share-the-Work Movement in Relation to Banking

By W. C. TEAGLE

"Bankers, no less than manufacturers and merchants, are involved in the common situation of reduced spending," says Mr. Teagle, who is president of the Standard Oil Company of New Jersey and chairman of the coordinating committee of the Share-the-Work movement of the Federal Reserve banking and industrial committees. "It is everywhere recognized that some degree of earning power must be found for a large part of the 10,000,000 or more unemployed before we can expect a return to normal conditions, and bankers are vitally concerned in this restoration of buying. Not only their public spirit but their own business interests require that they join wholeheartedly in any feasible plan which promises an alleviation of present conditions"

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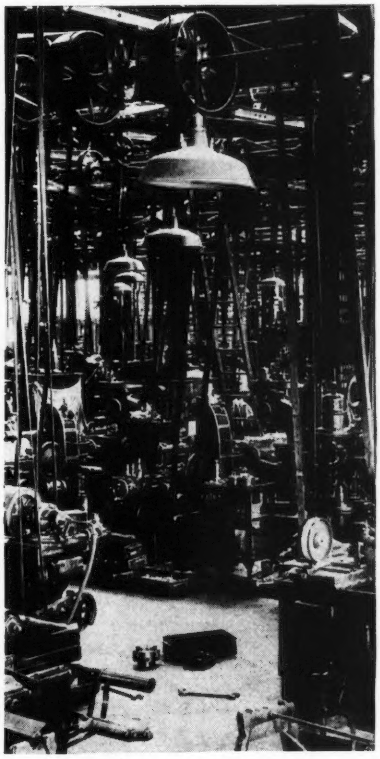

Until machines are manned and recovery gets well under way, emergency measures must supplant the real relief which is normal employment

THERE has been an enormous amount of talk about unemployment. The subject in its present phase has been studied and theorized over by business men and economists and politicians for two years. The man on the park bench has been exploited by publicists until he has begun to regard himself as something apart from our industrial life. He has become an exhibit. Let's stop our theorizing. Let's stop analyzing the fellow without a pay envelope and put him to work.

NOT A CURE-ALL

THE Share-the-Work movement is no patent medicine guaranteed to cure the situation. It is just a recognition of an invention mothered by necessity. It had its inception early in the depression in the unrelated efforts of executives of various companies to keep their organizations together in the face of declining business. These managers were prompted by mixed motives of altruism and business acumen. They sympathized with the employees whose jobs were threatened by the slump in business, and they thought, too, of the years spent in building up these organizations, and of the loss of efficiency which would inevitably result if they were to be decimated because of the business depression. So they evolved different plans for keeping forces intact without adding too much to costs.

By last August, 3,500 concerns, including some of the largest corporations in the country, had adopted plans of spreading their work over a larger number of people than was actually required to handle it. In that month, on the initiative of President Hoover, work-sharing was placed on the footing of an organized national movement through the formation of committees in each Federal Reserve district, with a coordination committee to knit together the work of the district committees.

Perhaps we would not have a real unemployment problem today if business of all kinds had simultaneously applied work-spreading in the days of 1929 or 1930, when repeated cutting of employment lists began sapping the national ability to buy. We are late now in attempting a country-wide acceptance of the idea, but I am not at all sure that we could have obtained the necessary support for it until widespread unemployment compelled action.

The practicability of the Share-the-Work plan is attested by the experience of several thousand concerns in various fields which have put it in operation in their own offices. Its effectiveness as a remedial measure is indicated by the results of surveys, which show that the widespread adoption of the principle before the national organization was inaugurated prevented the addition of approximately 3,500,000 men and women to our unemployed. Bad as the present situation is, according to these figures, at least a third more of the nation's wage earners would have been overwhelmed by the catastrophe had the management of these companies not taken the steps they did to spread their work. To mention specific cases: 3,000 employees of one oil company, 1,400 employees of a hotel system and 48,000 employees of the telephone system owe their continuance at work directly to this plan. I submit that such results warrant organized effort.

FOR EXAMPLE

THE coordination committee received a letter recently from a former employee of a large New York bank, suggesting that special efforts be made among banks to spread employment among "the many white-collar men with bank experience now on the payroll of the Emergency Work Bureau." This man was laid off in April. He wrote:

"I am a married man with two children, getting five days every alternate week, which nets me a little over a dollar a day to support a family; just enough for food, leaving nothing for gas, rent, much less for me to keep up an appearance when looking for a job."

This is a candidate for the banks to consider. We can't very well put him into railroading or soap-making.

The banker is inclined to feel that the problems he encounters in applying the plan are different from those faced

by executives in other lines of business. The industrial leader who has adopted work-sharing in his own business, on the other hand, takes the view that the goose-and-gander argument applies to this as well as to many other things and that the banker cannot disclaim responsibility on the ground that his business is "different". Every man of affairs regards his business as different from others. Usually it is. The fact is that any employer of labor today, be he banker or manufacturer, is faced with the necessity of doing everything in his power to get trade going, and a prerequisite to that is to get people back to work.

One of the largest banks on the Pacific coast has the plan already in successful operation in every department. Insurance companies, public utilities, the general offices of some of the country's largest industrial corporations have met successfully virtually the same management problems in the application of the plan as confront the banker.

"Share-the-Work" sounds new and strange to many, yet it is only the application of the scheme to meet an employment emergency that is new. The plan is a development of the familiar routine practices by every organization, financial and industrial, during vacation periods and in providing for substitution in cases of illness. No executive would be willing to admit that he was unable to cope with the problems of vacation and of sick leaves. He had a bigger task when a large part of his young men were called out for war service.

Under this plan the individual gives up a certain proportion of his working time and usually a proportionate part of his salary. His place is taken by a substitute as if he were on customary vacation or sick leave. There is the usual "moving up", and in a lower rank this moving up creates a vacancy. Here an extra worker is put on. This extra employee may be a skilled or routine worker, or an office boy. Whatever position the management finds it practicable to fill from the outside means the restoration of one of the enforced idle to part-time, with at least a living income, and it gives him and his dependents relief from the mental and physical suffering which is the lot of millions of our people today. It means also, from the economic point of view, his restoration as a purchaser.

VARIOUS PLANS EFFECTIVE

NO ONE method is prescribed. Several different plans and many combinations of these are in use: reducing the number of days in the working week or hours in the working day; alternating shifts or individuals; rotation of days off; extended vacations or furloughs without pay. The general purpose of all these is the same—to reduce working time of the employee who has not been on a short week, and to pass on this amount of work to someone now unemployed.

The method most generally used in general offices, where operations are not unlike those of the banks, is the adoption of the 40-hour week or its equivalent. But in every case it is desirable to make a thorough study of individual departments rather than to prescribe offhand a blanket policy for all—adapting the detailed method in each case to the needs of the particular department and to maintaining balanced inter-departmental relationship.

ONE BANK'S PLAN

AS the result of such a study the west coast bank already referred to put its mechanical departments on a 40-hour week, rotating schedules, to fit the needs. Heads of departments, junior executives and specialists accumulate their reduction of time, taking vacations of one week out of six, or one month out of six, without pay. Isolated exceptions are made in cases where special assignments require full time.

The head office of a great industrial concern presented problems not unlike those of a bank. Here again the 40-hour week was adopted. Vacancies created by the shortened time are filled by the promotion of competent employees, with new workers filling junior positions in accordance with the company's general policy of promotion from the ranks. Similarly, (CONTINUED ON PAGE 69)

The Coordination Committee

of the Share-the-Work movement of the Federal Reserve banking and industrial committees consists of the chairman and vice-chairman and 12 members, one from each Federal Reserve district, serving as the chairmen for their respective districts.

Chairman of the committee is Walter C. Teagle, New York City, president of the Standard Oil Company of New Jersey. Mr. Teagle has written the accompanying article on the Share-the-Work movement, and his photograph is reproduced on the front cover of this issue of the JOURNAL.

L. C. WALKER

Vice-Chairman is L. C. Walker, Muskegon, Michigan. President of the Shaw-Walker Company. Mr. Walker's photograph is reproduced here.

The committee members, by Federal Reserve districts, are:

1. Winthrop L. Carter, Nashua, N. H. President, Nashua Gummed and Coated Paper Company.

2. Alfred P. Sloan, Jr., New York City. President, General Motors Corporation.

3. Dr. Herbert J. Tily, Philadelphia. President, Strawbridge and Clothier.

4. John E. Galvin, Lima, Ohio. President, Ohio Steel Foundry Company.

5. W. F. Roberts, Baltimore, Md. Chairman, Standard Gas Equipment Company of Jersey City.

6. Ben S. Read, Atlanta, Ga. President, Southern Bell Telephone and Telegraph Company.

7. George A. Ranney, Chicago, Ill. Vice-President and Treasurer, International Harvester Company.

8. George C. Smith, St. Louis, Mo. General Traffic Manager, Missouri, Kansas and Texas Railway.

9. S. W. Dittenhofer, St. Paul, Minn. Vice-President, Hahn Department Stores, Inc.

10. Conrad Mann, Kansas City, Mo. President, Kansas City Chamber of Commerce.

11. W. S. Farish, Houston, Texas. President, Humble Oil and Refining Company.

12. K. R. Kingsbury, San Francisco, Calif. President, Standard Oil Company of California.

Profit-sharing plans have developed along two definite lines. Under one plan, distribution is in the form of stock of the company; under the other, in cash. The profit-sharing trust is equally adaptable to either plan

Profit-Sharing Trusts

Three Plans That Illustrate the Main Advantages of Trusteeship

By

GILBERT T. STEPHENSON

This article by Mr. Stephenson, vice-president, Equitable Trust Company, Wilmington, Delaware, concludes his series on new trust services to American industry. Since April he has dealt specifically with employment stabilization trusts, trusteed benefit funds, merit-reward trusts, pension trusts, thrift trusts, and now profit-sharing trusts. The business-getting possibilities revealed have attracted widespread interest among trust men, and the entire series will be reprinted by the JOURNAL in a booklet

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ONE industrial corporation has what is known as a three-party agreement among itself, a trust institution as trustee, and each of the employees participating in the plan. The company issues to the trustee a predetermined amount of its stock to be held in trust for the employees. The trustee, in turn, issues to each of the participating employees a certificate showing the number of shares being held in trust for him. Thereafter the employee receives from the trustee the cash dividends, but the stock dividends are held in trust. The employee does not receive the stock itself and the certificate is expressly non-assignable and non-negotiable.

If an employee wishes to dispose of his interest in the stock, he must notify the trustee in writing and the latter must offer it first at its book value to a named party, next to any other stockholder of the company, and finally on the open market, and must account to the employee for the proceeds. In the event of the death of an employee, the trustee must proceed in the same way to realize the value of his interest in the stock. The company reserves the right to terminate the trust, but it cannot do so without protecting the interests of the employees.

The trustee is clothed with the usual investment and management powers. But it is stated in the trust agreement that the trustee assumes no responsibility for any of the terms or conditions of the participation by the beneficiaries under any agreement between them and the company, and it agrees to act merely as the trustee under the trust agreement of such stock as is deposited with it by the company. Note that the trustee assumes no responsibility for the payment of any dividends unless the money and/or stock for the payment of such dividends is deposited with it.

This arrangement enables the employees to participate in the profits of the company without jeopardizing the control of the company. It would be especially adaptable to a close corporation desiring to stimulate faithful employees without at the same time spreading the stock ownership.

Another profit-sharing plan—this one is that of a trust institution itself—uses for trustee, not itself, but a board of five trustees selected by the board of directors, of whom two shall be officers and three employees who are not officers. The plan is compulsory. Each employee as a condition of employment must agree to become a contributor. He shall contribute annually not over five per cent nor less than two per cent of his wage or salary, not exceeding $200 per year. He must designate at the first of each year the percentage of his wages, between two and five per cent, to be deducted that year.

Each six months the trust company contributes out of its net earnings the amount, if any, designated by its board, but does not guarantee to contribute any amount.

The board of trustees is expected to keep substantially one half of the fund invested in the stock of the company. Its investments are subject to review by the president and executive committee of the trust company.

The account of each employee is credited periodically with his contributions, with his portion of the company's contributions if any, and with the earnings of the fund. At the end of each five-year period the board of trustees transfers to each contributor his proportionate number of shares of stock of the company. Then it starts all over again for another five-year period.

If a contributor resigns or is discharged (except for fraud), he receives the amount to his credit at the end of the next six-months' period. So, if he dies, his estate or designated beneficiary receives his share at the end of the six-months' period. But if he is discharged for fraud or dishonesty or misconduct, he receives only his contributions plus four per cent interest compounded.

A contributor's interest is not assignable or attachable. He may not withdraw any (CONTINUED ON PAGE 61)

Germany's Dollar Debts

By **ROBERT CROZIER LONG**

Chancellor von Papen, "applauded in same spirit as a wife applauds her husband when she finds diamonds on her breakfast table"

BUYING diamonds for one's wife when the tailor's bill is left unpaid is condemned by rigid moralists, but it is a human peccadillo of which even honest men are guilty. It is the adventurous course of the Reich Papen-Schleicher Cabinet; and it precipitated on the Berlin Stock Exchange in early September a considerable boom when it was learned that the Reich, which could not pay reparations and which coquets with the semi-repudiation of dollar debts by way of interest-reduction, had promised vast subsidies to native industry.

In Berlin, where this is written, Colonel von Papen is applauded in the same spirit as a wife applauds her husband when she finds diamonds on her breakfast table. Berlin's glee is tempered only by doubt whether the tailor—in this case the American creditor—will applaud. The purpose of this article is to help the American creditor to applaud—or condemn—by giving a summary account of an abnormally tortuous and complicated transaction.

On August 28 Chancellor von Papen announced that he intended to help industry with a gift of $550,000,000—out of the public funds. Of this large sum 68 per cent was to be given to industry unconditionally, the Chancellor assuming that it would be invested in increasing employment. The remaining 32 per cent was to be distributed between industrial employers who took new men on their pay-rolls, at the rate of $100 for every new man. The latter measure, Colonel von Papen optimistically estimated, would restore to productive work 1,750,000 out of the unemployed army of over 5,000,000. In addition, a sum of $190,000,000 would be spent on public works.

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The author of this article is an economist who resides in Berlin. In covering central European problems from firsthand observation, he writes with a detached point of view that is of added value to bankers in this country who seek the facts. He is a frequent contributor to the JOURNAL

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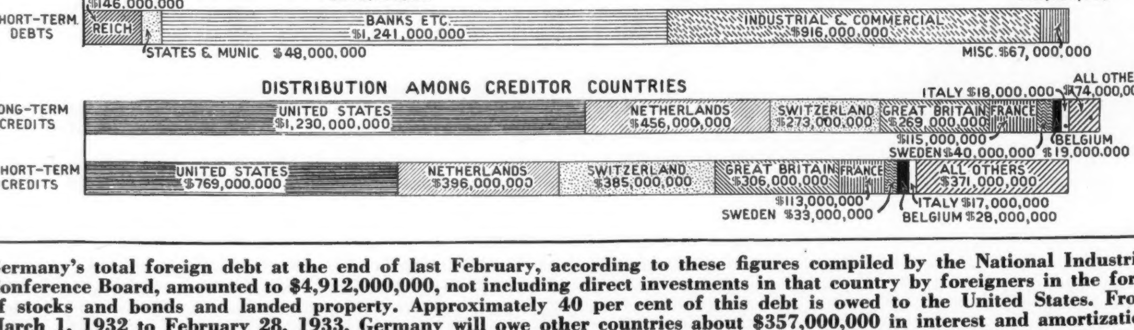
The tale of doles is therefore as follows:

Unconditional gifts	$375,000,000
$100 per head, employment bounties	175,000,000
Public contracts	190,000,000
	$740,000,000

To industry the plan seemed admirable. Few dividends were paid in 1932, still fewer will be paid in 1933, reserves are depleted, and no week passes without the enforced scaling-down of capital by some great corporation. But difficult questions were raised by the magic scheme. How was the supposedly bankrupt Reich to get the $740,000,000; and what is the bearing of the Reich's unexampled liberality on the problem of foreign debt payment?

Jubilant Berlin for the moment thinks the first problem solved, and is nervous only about the second. It tends to ignore the realities of both. The realities, or at



Germany's total foreign debt at the end of last February, according to these figures compiled by the National Industrial Conference Board, amounted to $4,912,000,000, not including direct investments in that country by foreigners in the form of stocks and bonds and landed property. Approximately 40 per cent of this debt is owed to the United States. From March 1, 1932 to February 28, 1933, Germany will owe other countries about $357,000,000 in interest and amortization charges. The chart above shows graphically by whom and to whom both the long-term and short-term obligations are owed

least the generally accepted contentions, were emphasised first at the bank standstill conferences, later at Lausanne. At Lausanne, Germany put through her plea that she could not pay reparations even if prosperity returned.

At the standstill conferences, she made clear that her short-term bank debts were unpayable; at most could be paid interest and trifling capital repayments at long intervals. The question of the long-term gold and dollar debts was not officially raised, but at Lausanne Chancellor von Papen brought up informally the problem of interest-reduction. Since then there have been unceasing official and unofficial hints that American bondholders would have to put up with a drastic interest-cut, which would be equivalent to partial repudiation of the capital debt. The Chancellor's ally, and leader of the German-National Party, Hugenberg, declared that the dollar-bond interest must be reduced to 2 per cent, and added that the bondholders would be glad to get even that. Foreign economists countenanced this pessimism. "Bankrupt, incurable, desperate", wrote a distinguished Swede.

Today the bankrupt Reich takes \$740,000,000 out of its sleeve and thrusts it up the sleeve of business. This sum is nearly equal to two years of the Young Plan annuity, equal to more than two years' service (including amortisation) of all long and short-term foreign debts. The magic has been achieved by measures of extraordinary technical ingenuity, measures unsound, which involve gambling on the future, measures which assume—perhaps rightly—that a few years hence Germany will be enjoying boundless prosperity. This applies to \$550,000,000 of the total \$740,000,000 dole. The remaining \$190,000,000 for public works is to be raised by the humdrum, though not entirely safe, method of immediate borrowing.

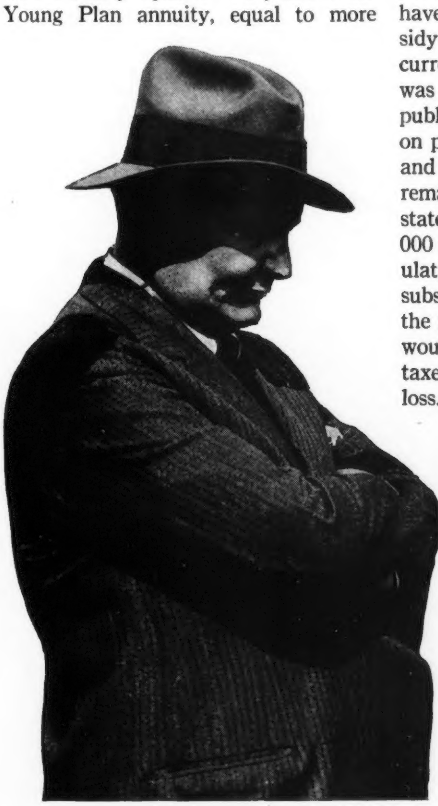
German Elections on November 6

The fate of the Papen Cabinet and the Papen Plan, both backed by President von Hindenburg and bitterly opposed by Hitler and Goering and the Nazis, will depend largely upon how German voters cast their ballots in sending a new Reichstag to Berlin. The old Reichstag, in its turbulent and final session on August 30, gave a no confidence vote of 513 to 32. This was declared illegal and was voided, however, in view of the dissolution decree thrown dramatically on the Speaker's table by Chancellor von Papen but ignored by Goering. President von Hindenburg, in calling the new elections, has asked the German people for their unified support

The conditions of the major \$550,000,000 dole to industry are as follows: The Reich decided that industry must have a big subsidy, in cash. This subsidy could not possibly be paid out of current revenue, and a great Reich loan was impossible. Although most German public budgets are this year balanced—on paper—taxes have come in so badly and unemployment relief expenditure remains so high that a combined Reich, state and municipal deficit of \$300,000,000 is expected. By an ingenious manipulation the inability of the Reich to subsidise in cash was reconciled with the need of industry for cash. Industry would this year pay its full assessed taxes, and the Reich would suffer no loss. But the Reich would not treat \$550,000,000 of the tax-payments as a real payment; it would treat this sum as a "loan from industry", and would hand back to industry "tax-payment certificates"—something in effect like Treasury bills—which the Reich undertook to accept in payment of taxes in 1934 to 1938. Industry would immediately turn the \$550,000,000 certificates into cash by selling them on the stock exchange or by using them as collateral for bank credits. By this means industry would get its dole, the current Reich budget would not lose a cent, and both sides would be happy.

This is nothing but a speculation on the future. It is based on the assumption that the Reich, which today cannot afford the \$550,000,000, will be able to afford it in later years. Chancellor von Papen believes that by 1934 business will have recovered, revenue from ordinary taxation increased, and the cost of unemployment relief declined. And no reparations are to be paid. When, therefore, in the five years 1934-38 the Reich is tendered \$550,000,000 of its own "tax-payment certificates" instead of good cash, it will be able to stand the loss. That this measure is radically unsound every German knows. It is state finance on the instalment-payment system, identical with the finance of a bankrupt private citizen who buys an automobile on credit in the hope that some day his bankruptcy will cease. But the Papen plan will not necessarily prove a failure, for there is every sign that, independently of the plan, German prosperity is about to return.

The bear- (CONTINUED ON PAGE 56)



Nazi Captain Goering and his chief, Adolf Hitler. This apparently serious conference took place on a Berlin aviation field

What the Past Three Years Show for—

Instalment Credit

Recognizing the wide difference of opinion as to the record of instalment credit during the depression, the JOURNAL obtained from unprejudiced sources the facts and opinions given in this article

PREDICTIONS and prognostications to the contrary, instalment selling is riding out the depression without suffering unduly. Volume is off, but only in about the same degree as regular charge accounts; collections are somewhat slower; adjustments in the amount of monthly payments have been necessary in some cases to take care of losses of jobs and cuts in salaries; repossession policies have become somewhat more lenient. But, by and large, the records seem to prove that the crisis through which instalment selling had to pass in the earlier 20's eliminated many of its original weaknesses, and put it on a basis where it may now be considered one of the sound mechanisms of modern merchandising.

Experience shows that the ratio of instalment sales to total merchandise sold remains fairly constant during both prosperous and depressed times. One set of figures from finance companies on the percentage of instalment-bought new automobiles follows: 1928, 58.1 per cent; 1929, 62.6 per cent; 1930, 62.3 per cent. The increase is due partly to the fact that finance companies started taking over some cars that had formerly been financed by banks.

In a retail credit survey by the U. S. Bureau of Foreign and Domestic Commerce, comparing 1931 and 1930, it is shown that cash sales increased to 46.4 per cent from 44.7 per cent, that charge account sales decreased to 44.1 per cent from 45.3 per cent, and that instalment sales decreased to 9.5 per cent from 10.0 per cent.

A survey based on net sales in six department stores of a southern city, comparing the first half-year periods of 1932 and 1931, states that cash sales decreased to 36.7 per cent from 36.9 per cent, charge account sales decreased to 57.6 per cent from 57.9 per cent, and instalment sales increased to 5.7 per cent from 5.2 per cent.

These statistics are borne out by statements gleaned from banks over the country. A middle western institution reports that merchandise financing has fallen off "about as might be expected". Another states the belief that the experience of finance companies has been much the same as that of organizations granting any other type of credit.

A middle western source reports figures somewhat out of line with the above, to the effect that 20,369 new instalment accounts were opened in 1931 against 18,474 the previous year, and that 1932 to date is even with last year. However, with 20,155 new charge accounts opened in 1930, there was a decrease to 13,337 last year and to date this year there has been a further decrease of about 33 per cent. Instalment volume in dollars there was off 5.3 per cent in 1931 and is off 19.6 per cent to date this year, while regular charge business was off last year 15.2 per cent and is off now 29.6 per cent.

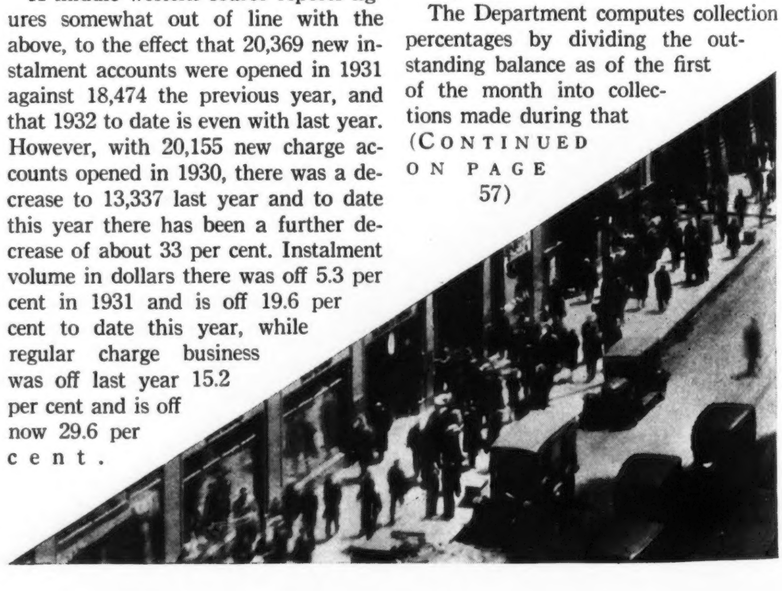
While widely differing evidence may be gathered, great fluctuations in both directions are rather evenly balanced.

Collection methods are, generally, perhaps more lenient than in better times. There is a tendency to suit the method to the case. Adjustments are made for men out of work or on part time or greatly reduced salaries. Smaller monthly payments are often allowed and repossessions are resorted to with more leniency. While one bank reports a considerable increase in repossessions, a neighboring institution states that goods are not repossessed unless circumstances fully justify it, and then only if the goods are of a type which can be resold through a separate outlet. This latter judgment is generally supported.

Collections are more difficult to make and losses vary among financing companies. The head of a New York bank remarks that "by and large, instalment credit, when granted on conservative principles, has proved to be an unusually safe and liquid type of credit."

In a survey of 18 department stores in a southern city it was found that the average time outstanding of instalment accounts in 1932 was 191 days against 174 days last year, and for charge accounts 104 days in 1932 against 101 days previously. The Department of Commerce finds that, in the last six months of 1931, charge accounts averaged 78 days outstanding, compared with 75 in the same period of 1930. These figures cover 410 stores. In the case of 193 reporting stores, instalment accounts averaged 7 months 7 days outstanding in the last half of 1931, compared with 6 months 29 days in that 1930 period.

The Department computes collection percentages by dividing the outstanding balance as of the first of the month into collections made during that (CONTINUED ON PAGE 57)



Higher Operating Costs and Smaller Loans to Fewer People

Depression Experience in the Small Loan Field

THE lending of small sums is sharing in the general business decline, disproving the often voiced belief that industrial banks thrive during a period of stress. It should be borne in mind, however, in analyzing the present condition and anticipating the future of small loans, that experience after the depression of 1920-21 showed small loan activity returning to its normal level along with other business operations.

In a study of industrial banking as affected by present business conditions, the JOURNAL finds that the decrease in the number of loan applicants, the inflexibility of certain operating costs, and the increased expense of collection and credit investigation have cut materially into profits from small loan banking.

Several factors have contributed to the decrease of applications. Men out of work realize their ineligibility and do not apply. Men on part-time or insecure in their positions will not involve their friends or relatives as comakers on their loan applications. And the man with a feeling of security, who in normal times might profitably borrow for constructive purposes, either shys at the idea of increased obligations or finds them ruled out by his budget, which is perhaps a new sensation for him. Loans for travel have decreased 90 per cent in the last three years, according to one western bank. On the contrary, experience in certain sections of the country shows an increased demand for funds for higher educational purposes in amounts substantially above the needs of the average borrower.

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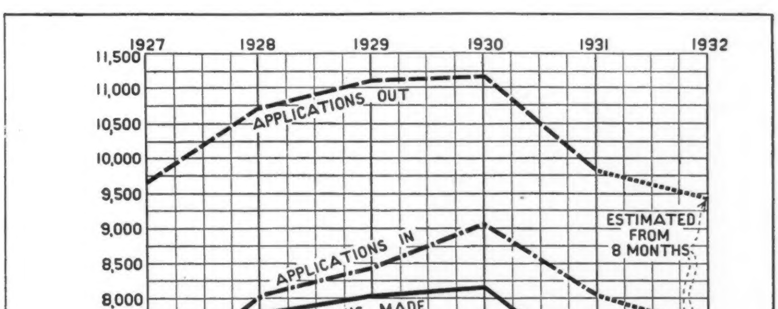
The accompanying article is based upon a survey made recently by the JOURNAL in an effort to determine firsthand just what the effects of 1930-32 have been in this field of banking, and the outlook for the future

The lessening number of loan applications is illustrated by the case of a New England bank. In 1927, 9,665 such applications went out; in 1928, 10,697; 1929, 11,122; 1930, 11,174; 1931, 9,897; 1932 (eight months), 6,294. The year 1929 showed the highest volume in another bank's history; 1930 a decline of 4.41 per cent; 1931, one of 10.85 per cent; and the first six months of 1932 a further decline of 27 per cent. The 1930 and 1931 declines would have been greater if many new or former commercial bank borrowers had not applied at this industrial bank.

Many applications, that in normal times would be accepted, are now refused. While in 1927, 1928 and 1929, less than 1 per cent of the applications turned in were declined by the New England bank reporting, that percentage is now 6.9. The percentage refused varies widely, however, among different banks even in normal times, with an average of perhaps 25 per cent. The percentage of refused loans at present may be as high as 45. A western bank reports that the number refused at the first interview has tripled in the past three years.

The average amount of small loans has also declined, due chiefly to two reasons—the increased purchasing power of the dollar and the reduction of incomes, which makes payment on the larger loans more difficult. A western institution reports that the average loan in 1928 was $273; 1929, $281; 1930, $288; 1931, $290; 1932 (to July), $278. A more striking contrast from a different source is shown in the average loan of $242 in 1930; first six months of 1931, $237; first six months of 1932, $223.45. In another instance the present average of $243 compares with $254 for the pre- (CONTINUED ON PAGE 60)



This chart recounts the experience of one reporting bank, showing the downward trend of applications and the greater care in making loans

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4,398 Bond Issues

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A Survey

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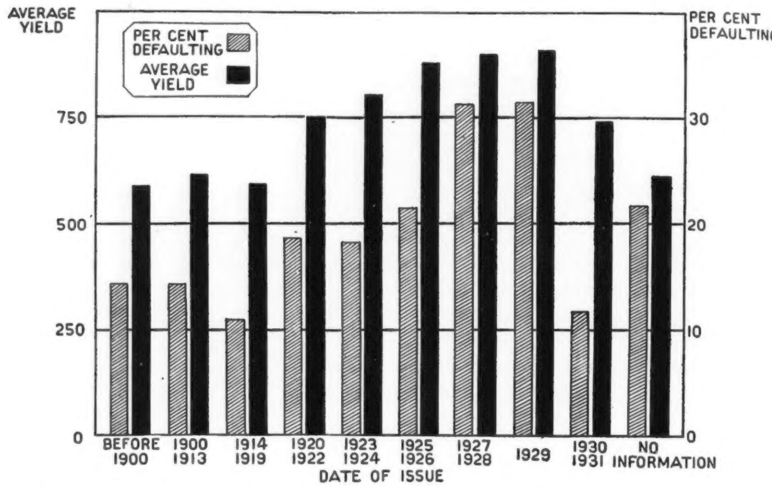
Average Yield and Per Cent Defaulting, By Date of Issue



This 31-year analysis of bonds is based upon the low bond market of December, 1931 (see tabulation on page 64)

By GEORGE W. EDWARDS, Ph.D.

Dr. Edwards, professor of economics at the College of the City of New York, gives here some helpful statistics on the behavior of bonds issued from 1900 to 1931. On page 64 will be found the figures giving the first findings of his survey and corresponding to the chart on this page

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ANALYSIS of the results of past depressions shows that they have been followed generally by improvement in the financial structure. The idea of the clearinghouse was born from a period of depression, and the passage of the Federal Reserve Act is directly traceable to the panic of 1907. The reaction of 1920 was followed by a marked improvement in commercial credit policy, and because of the resulting stronger cash position and smaller inventory, many of our leading corporations were better able to weather the storm of 1929-1932. In like manner, the common difficulties of bankers during the recent financial crisis are now being carefully studied, and efforts are being made to formulate general policies for strengthening the banking system of the future.

It must be remembered, however, that the application of generalized policy is difficult in American banking, because our system is so highly individualistic in its nature. This condition is due primarily to the fact that the economic life of the American people is highly diversified, and therefore the administration of sound loan policy in any one section of the vast territory of this country requires a profound knowledge of the basic economic situation existing in that particular locality. For example, the northeastern section is devoted mainly to various manufacturing enterprises; the South continues largely agricultural; in the Southwest, the cattle industry dominates the economic situation; and on the Pacific Coast, fruit growing, lumber and fishing are the leading activities. The credit needs of these local interests can best be understood by the individual banker, and he alone can derive the lessons of his own difficulties during the recent past. In view of this diversification of economic activities in the United States, it is practically useless to dictate local credit policy to the thousands of individual bankers in this country, except on very broad terms which are then of little value in dealing with the practical problems confronting them.

There are, however, certain problems facing the country banker, on which specific suggestions may be made.

Frank W. Simmonds, Deputy Manager of the American Bankers Association, in an article in the JOURNAL for September, pointed the way to an important and essential financial reform—namely, a more scientific method of determining the amount of interest to be paid on bank deposits. Mr. Simmonds pointed out that many banks are now making progress in "reducing deposit rates to business-like levels."

In the past, by granting heavy rates of interest on deposits, many banks were forced into earning assets offering a high nominal yield but possessing a high degree of risk. The author undertook recently, as part of a study of the entire subject of country bank investments, a statistical analysis of the behavior of bonds in the low bond market of December, 1931, when country banks were liquidating a large proportion of their holdings. In order to arrive at a complete survey, 4,398 different bonds were studied. The first finding of this survey is reproduced in the accompanying chart which shows the average yield and per cent of defaulting bonds as classified by the date of their issue. The figures (CONTINUED ON PAGE 64)

School Savings, 1931-32

By
W. ESPEY ALBIG

The accompanying summary was included in the 13th annual report on school savings systems throughout the United States, compiled and published by the American Bankers Association. Mr. Albig is Deputy Manager of the Association

IN this yearly period, 1931–1932, for the first time since the development of school savings on a nation-wide scale, the withdrawals exceeded deposits. The excess of withdrawals over deposits was made possible only by the millions of dollars piled up in depositary banks by school savers during the years of profitable industry and business in the United States.

Year after year since the inauguration of school savings the balance of deposits over withdrawals in banks increased until June 30, 1929, when the net savings for that year reached a peak of more than $10,500,000. Then began the business and industrial depression which has covered the whole world. In 1930 the net savings were about $3,000,000 less than in the preceding year, although the gross deposits were greater than the previous year. The spreading of unemployment had its influence in school savings. As of June 30, 1931, net savings had declined to $2,100,000.

THE TESTING PERIOD

FOR the present year, June 30, 1932, the gross deposits were $17,680,364.92, a decrease from the preceding year of $9,000,000, a sum colossal in itself. Withdrawals not only exceeded deposits but they took from the banks almost $3,000,000 in school savings deposited in previous years. The number of schools offering school savings was 12,686, and the participants were 3,106,510. There were 1,942½ fewer schools than last year and 1,376,124 fewer children participating. The number of schools offering school savings decreased 13 per cent, the number of children depositing decreased 32 per cent, and the amount of deposits decreased 34 per cent. The decrease in the number of schools and the consequent lessened number of depositors are in part at least due to the lack of depositary banks.

In view of the smaller number of banks and difficulties in the matter of depositary expenses, the decrease in the number of school savings banks is surprisingly small.

From this present testing time school savings will profit. It will tend to refine methods and to keep the practices closely in line with community thought. Some banks have placed a minimum limit on each deposit, have reduced clerical details, and have initiated economies, thus making way for a lessened loss to the bank when deposits will again have attained normal proportions. An even greater gain may come to banks through the knowledge developed during these times of stress of the social values of school savings.

SUMMARY AND COMPARISON
1930–1931 and 1931–1932

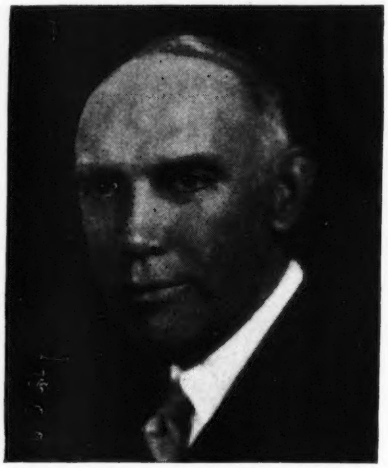
STATES	Number of Schools		Number Participating		Deposits		Net Savings	
	1930–31	1931–32	1930–31	1931–32	1930–31	1931–32	1930–31	1931–32
United States	14,628½	12,686	4,482,634	3,106,510	$25,977,216.41	$17,680,364.92	$2,167,499.58	$2,926,902.12†
Alabama	67	65	27,632	22,820	137,330.25	122,750.35	35,064.34	6,543.88
Arizona	26	......	13,786	......	56,411.38	......	18,001.73	......
Arkansas	7	......	2,285	......	6,307.67	......	3,323.09†	......
California	2,496	2,432	448,512	421,920	1,530,127.79	1,099,064.50	798,330.49	691,103.90†
Colorado	4	3	896	419	1,547.81	1,041.15	917.62	......
Connecticut	633	554	118,327	112,740	956,881.09	656,713.20	136,394.07	54,378.09†
Delaware	64	68	34,227	32,335	185,957.48	130,747.27	6,259.52†	46,545.65†
D. C.	44	41	5,851	5,169	50,180.27	45,190.95	50,180.27	45.190.95
Florida	39	25	10,704	17,955	66,619.22	43,273.28	2,612.87	9,444.50†
Georgia	89	113	51,891	35,788	154,361.43	141,222.97	13,356.91†	15,409.23†
Hawaii	73	......	4,589	......	33,625.25	......	31,416.93	......
Idaho	27	36	5,972	3,564	22,932.69	12,471.11	11,161.57	630.41
Illinois	500	416	136,992	108,198	1,000,523.16	635,813.35	82,701.60†	207,911.65†
Indiana	270	198	73,114	61,669	449,279.51	242,417.63	6,811.53†	92,472.82†
Iowa	217	205	68,686	50,774	360,147.42	203,221.30	22,415.30†	80,351.81†
Kansas	33	18	9,552	5,112	82,052.42	33,420.15	1,188.84	6,002.46†
Kentucky	43	21	7,042	2,390	38,167.00	7,978.28	3,420.93	873.07†
Louisiana	19	19	1,833	1,405	17,163.25	16,727.36	4,543.44	4,902.40
Maine	339	342	35,174	35,620	149,839.13	130,455.52	62,271.22	50,096.15
Maryland	114	108	49,716	41,390	501,222.52	92,265.22	300,695.80	99,454.40
Massachusetts	1,186	1,091	239,280	220,594	1,251,401.79	953,284.34	459,479.50	260,238.14
Michigan	427	337	135,774	89,507	682,922.78	357,455.28	40,185.65†	205,973.04†
Minnesota	300	360	127,436	129,804	665,588.15	488,555.04	148,696.82	8,427.62†
Mississippi	4	2	......	834	......	3,797.13	......	107.00
Missouri	203	197	92,777	67,094	582,454.33	446,827.48	188,051.79	21,539.30
Montana*	......	......	......	......	......	......	......	......
Nebraska	50	......	......	......	188,197.07	3,379.53	148,295.20†	1,412.20†
Nevada	......	2	......	317	......	1,012.55	......	452.87
New Hampshire	112	123	6,617	7,782	39,072.26	35,412.85	16,475.12	7,649.07
New Jersey	796	695	264,231	233,520	2,644,925.30	1,307,957.59	93,107.30	165,482.11†
New Mexico	10	10	668	2,595	3,726.36	1,433.69	1,309.02	558.88†
New York	1,463½	1,428	979,895	271,920	4,606,108.24	4,443,619.37	159,115.46	45,616.99†
North Carolina	71	45	20,768	15,213	78,573.15	52,902.17	13,308.75	5,215.55†
North Dakota	17	20	1,040	1,107	3,608.15	7,041.47	2,102.88	2,284.71
Ohio	812	470	277,603	103,710	1,605,615.75	517,180.60	80,190.72†	149,842.36†
Oklahoma	72	60	15,113	7,351	23,300.49	12,258.56	204,413.16†	9,414.27†
Oregon	130	112	55,184	73,768	364,798.82	236.763.62	23,145.58	102,422.27†
Pennsylvania	1,912	1,687	659,086	529,408	4,061,199.50	2,851,066.51	29,592.85	1,015,404.23†
Rhode Island	350	326	120,856	112,724	862,430.05	745,703.92	87,694.58†	180,809.55†
South Carolina*	......	......	......	......	......	......	......	......
South Dakota	49	44	10,963	7,837	96,593.47	60,157.59	1,654.60	18,027.26†
Tennessee	41	35	24,236	10,863	140,477.46	107,351.49	5,944.48†	16,910.24†
Texas	236	237	95,335	64,527	372,016.73	265,919.38	101,480.09	25,579.49†
Utah	19	7	1,785	576	5,930.12	1,952.42	2,963.44	2,578.31†
Vermont	24	25	2,306	899	5,773.93	4,989.52	3,699.10	300.91
Virginia	114	90	29,524	25,567	178,626.40	144,849.64	20,812.47	4,547.09
Washington	337	181	106,669	74,044	953,850.65	478,867.99	75,937.40	151,228.90†
West Virginia	142	122	30,340	24,707	131,438.87	87,311.58	30,510.11	14,089.96†
Wisconsin	298	314	78,367	70,974	627,909.85	448,537.02	31,448.82	107,352.99†
Wyoming	2	2	......	......	......	......	......	......

TOTALS—UNITED STATES	Number of Schools	Number Participating	Deposits	Net Savings
1931–1932	12,686	3,106,510	$17,680,364.92	$2,926,902.12†
1930–1931	14,628½	4,482,634	25,977,216.41	2,167,499.58
1929–1930	14,610½	4,597,731	29,113,063.48	7,690,529.68
1928–1929	14,254½	4,222,935	28,672,496.00	10,539,928.46
1927–1928	13.835	3,980,237	26,005,138.04	9,476,391.32
1926–1927	12,678	3,742,551	23,703,436.80	9,464,178.93
1925–1926	11,371	3,403,746	20,469,960.88	8,770,731.05
1924–1925	10,163	2,869.497	16,961,560.72	7,779,992.55
1923–1924	9,080	2,236,326	14,991,535.40	8,556,991.27
1922–1923	6,868	1,907,851	10,631,838.69	......
1921–1922	4,785	1,295,607	5,775,122.32	......
1920–1921	3,316	802,906	4,158,050.15	......
1919–1920	2,736	462,651	2.800,301.18	......

*No report this year. †Loss.

"Tell the Story of Banking
—and of Business
—and of Industry
—and of Commerce"

By
FRED W. ELLSWORTH



"More and more throughout the nation", says Mr. Ellsworth, who is vice-president of the Hibernia Bank and Trust Company of New Orleans, "the progressive, forward-looking banks are employing advertising which serves the triple purpose of broadcasting local advantages and facilities, giving complimentary advertising to worthwhile customers, and developing that desirable element which makes for successful and agreeable contact between the banker and his customer"

TWO automobiles come together with a bang. Each driver jumps out with fire in his eye and murder in his heart. They are strangers. After the usual spontaneous display of fireworks on both sides, and a later exchange of license numbers and unethical comments, they finally go their separate ways sputtering and growling, and adding to their blood pressure. And all because that common denominator of understanding created by good will is teetotally lacking.

Two other automobiles come together. Each driver dashes to the fray with the same uncomplimentary sentiments, but each recognizes the other as a friend. Then Mr. Good Will steps in, they laugh over the accident and everything is adjusted amicably. It hardly ever fails.

Here are two banks of approximately equal size, located in the same block—each housed in a handsome modern building—each with about the same character of personnel—each performing identical functions. Along comes a period of stress. Bank No. 1, with sails reefed, plows its way successfully through the storm, while Bank No. 2 hits the rocks and becomes a derelict. Good bank management may have been one reason why Bank No. 1 weathered the hurricane, but it is altogether likely that Bank No. 1 also possessed the active and sympathetic good will of its customers, while Bank No. 2 did not.

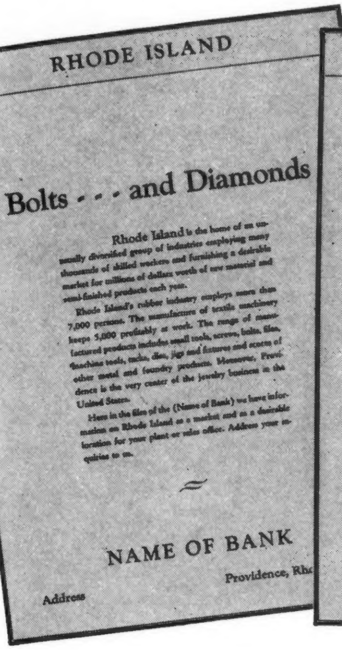
One of these days somebody is going to be able to diagnose the causes underlying success and failure, and when this is done the presence or absence of good will is going to be identified as one of the major factors.

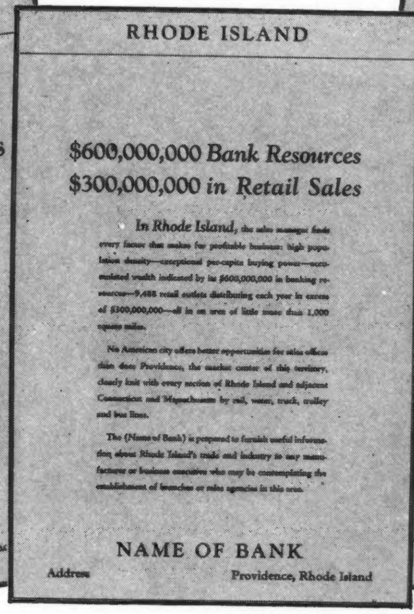
But just how can a bank develop this timely and worthwhile asset, particularly in these times when so much dust has been stirred up in the banking world? The usual characteristics of good banking, which include satisfactory service, intelligent and competent operation, an agreeable and sincere personnel, a cordial and easily approachable executive family—all of these, of course, are fundamentally essential; but in addition to these there must be a constructive and mutually responsive relationship between the bank and the populace and between the banker and his customer—between the "servant", if you please, and those who are served. One of the logical means for building this asset is by the printed word, and particularly now when the mortality in banking has created more or less justifiable uncertainty.

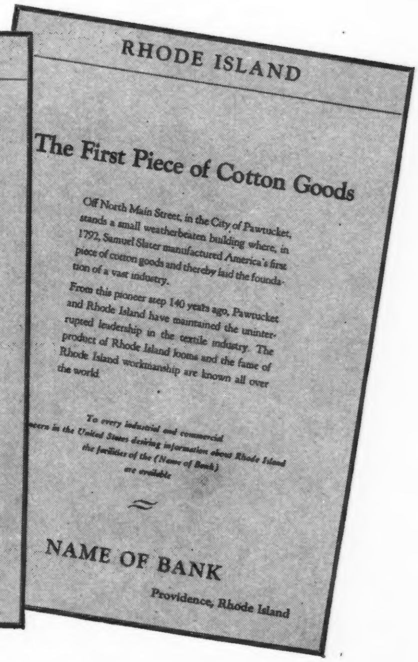
The people of America can always be counted on to read their local newspapers, and their reading is not confined to the news columns, as evidenced by the generous use of the press by all kinds and conditions of advertisers. For this reason advertising copy for the purpose of creating good will for the banks can be reasonably sure of a large and appreciative audience. But in order to achieve its object, it must possess in an obvious manner a convincing quality of disinterestedness.

For example, just a few days ago the New Orleans newspapers carried on the first page a conspicuous story announcing the completion of arrangements with the Reconstruction Finance Corporation for financing a $14,000,000 railroad and vehicular bridge across the Mississippi River at New Orleans. In the same papers there appeared in large space, over the signature of one of the local banks, an attractive advertisement featured by an artist's pre-drawing of this 3½ mile bridge, and a message to the general public urging a quickening of business activities, the purchase of real estate, and a general forward movement all along the line in harmony with the inauguration of this major project. The copy carried this significant statement: "We have nothing to gain by this advice. We are not selling real estate, but we *are* interested in seeing more of our citizens own their homes. A home owner is an investor—a person of standing in the community—looked up to and respected as a solid citizen." The publication of this timely and significant advertisement was too recent to determine any results, but there can be no doubt that it will react in a marked degree to the ultimate and permanent benefit of the institution that used it.

For the past 14 years another New Orleans bank has conducted a series of advertisements, which in every instance has been sent regularly to a selected list of several thousand leading bankers and business men of America. Accompanied by appropriate illustrations, this series has told the story about corn, cotton, rice, sugar, lumber, fisheries, coffee, strawberries, forestry, salt, oysters, sulphur, oil, cattle, shrimp, bananas, citrus fruits, pecans, mahogany, truck farming, naval (CONTINUED ON PAGE 60)





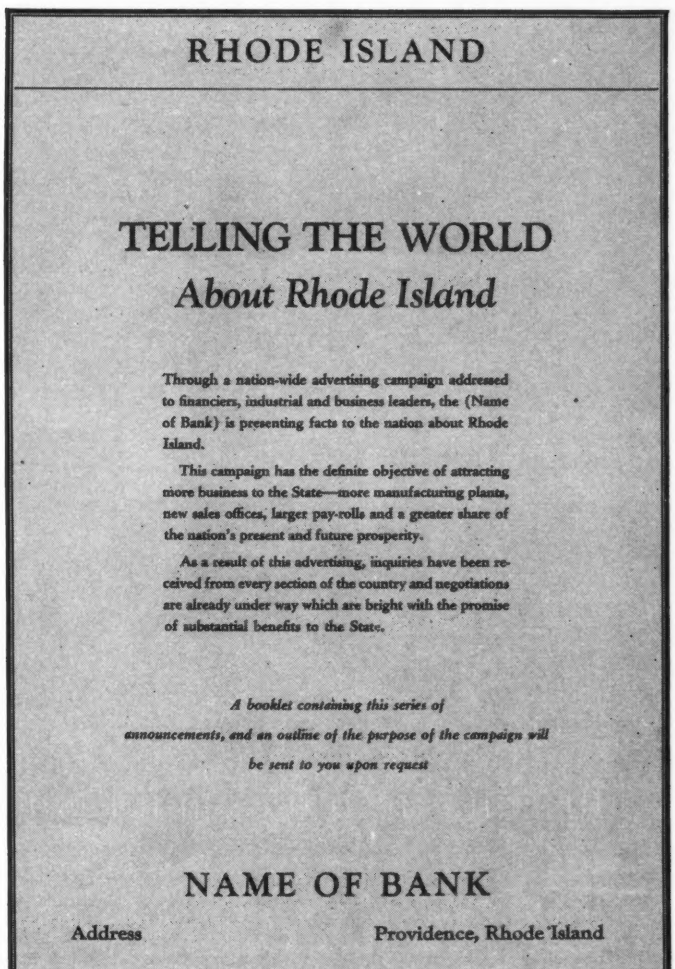


Four Suggestions

Prepared by the JOURNAL

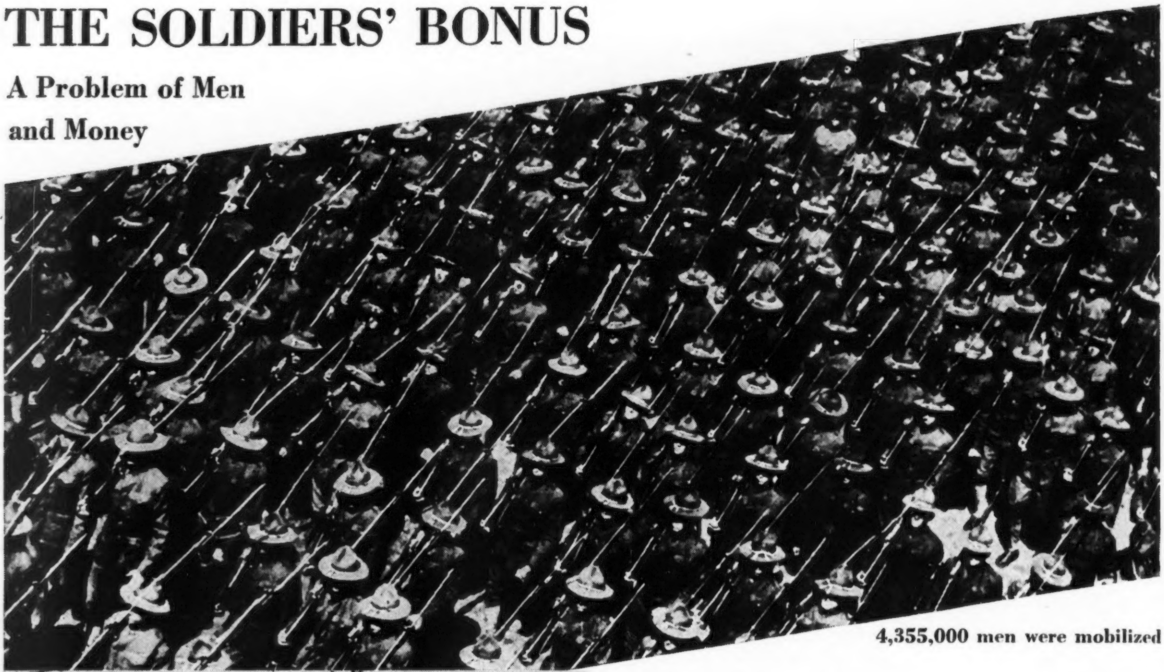
These specimen advertisements are intended merely to show the wealth of material that is available in so many communities for national advertising of the type described by Mr. Ellsworth on the opposite page. They also show how the local banking position can be emphasized and how inquiries can be directed to the local bank advertiser. Such a series is for the small city bank as well as for those in larger centers and can, as Mr. Ellsworth says, "keep on running until the subjects give out"—in one case, for the past 14 years and still going. There are many chances for effective copy and illustrative treatment.

The opportunities for this type of national advertising by banks will become more pronounced as business recovery advances into 1933-34. To consider them now and over the turn of the New Year when plans are being made will perhaps be worthwhile

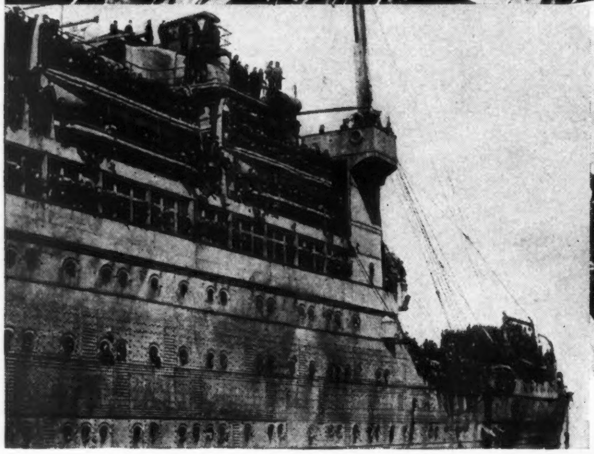


THE SOLDIERS' BONUS

A Problem of Men and Money

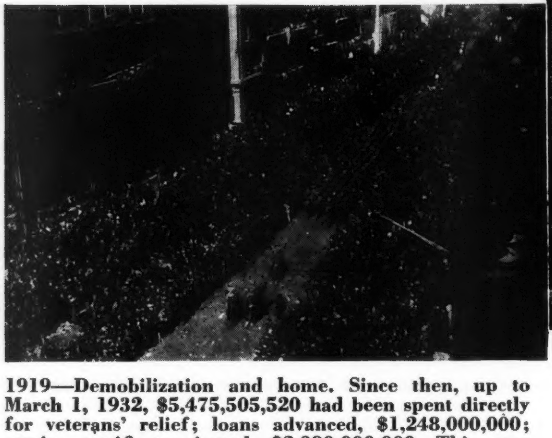


4,355,000 men were mobilized



2,086,000 men went overseas

Several hundred thousand saw action



UNDERWOOD PHOTOS

1919—Demobilization and home. Since then, up to March 1, 1932, $5,475,505,520 had been spent directly for veterans' relief; loans advanced, $1,248,000,000; service certificates issued, $2,390,000,000. This year more has been appropriated by U. S. than by Great Britain, France, Germany, Italy and Canada combined

1932—Portland, Oregon. The American Legion convention demands still more cash. This would mean, according to estimates, an increase immediately in Governmental expenditures for all ex-soldiers of about $2,390,000,000 in cash for service certificates, not including cancellation of the $1,248,000,000 of loans which have already been advanced to World War veterans

Congressional Budget-Pruning in December

By

WILLIAM P. HELM

"By linking the $500,000,000 economy program with the supply bills for next year, the President seemingly has made a move that will throw the whole program of shrinking the Government into the lap of the next Administration, whether his own or that of his opponent", says Mr. Helm, who lives in Washington and is nationally known as a writer on political and financial topics, in the accompanying article. "Yet, in the present state of Government finances, the President hardly had any choice of action. The need for further cuts is imperative; they cannot be postponed if the Treasury is to escape another huge deficit"

•

THE $500,000,000 economy program which President Hoover has announced he intends to send to Congress when it meets again will constitute the biggest job, perhaps, that Congress will have received in its peacetime history.

Can Congress, in the short session, handle the assignment?

Not, it is believed, within the 90 days of its life which will remain, under Constitutional limitation, before Inauguration Day on next March 4. The next session of Congress will be limited to three months. During those three months the annual supply bills must be passed. Even in ordinary times, the job is about all that Congress can attend to at the short session. Often, the bills just get under the wire before adjournment.

At the last session, Congress took seven months to pass the supply bills. The $500,000,000 economy program now proposed by the President involves far more drastic cuts than those made at the last session; so it hardly seems to lie in the cards that Congress will be able to fill the order. Having dawdled seven months in effecting relatively small economies, Congress would flash a wholly unexpected reversal of form if it should pass an even more difficult measure in these three months.

Thus it appears likely that the task of cutting the Government's running expenses to conform to popular ideas will remain for the next President, Mr. Hoover or Mr. Roosevelt; and because the cutting process is intimately tied up with passage of the supply bills which must be passed before July 1 next, it further appears likely that the incoming President will find the job pressed on him at the outset of his Administration. Under those circumstances, the Congress to be summoned would be the new Congress.

Even to many Washington officials, the magnitude of the Hoover program is not yet apparent in its fulness. It involves the most drastic sail-trimming yet proposed in the present economic storm. In its essentials, it anticipates a cut of from 20 to 25 per cent in the routine activities of the Federal Government. Making the cut points to the possibility of reorganizations or reductions among the following:

The army and navy

Individual pensions

The cost of prohibition enforcement

The postal service

The public building program

Allotments to veterans and services to the disabled

The Government's scientific and industrial investigations

Flood prevention work

Some of the 800-odd activities of the Department of Agriculture in farm problems

Farm relief

The 1,000 or more minor Governmental activities, such as railroad valuation, gathering statistics in many fields, work among women and children, and educational and other subsidies to the states

The Federal-aid road-building program.

It is quite possible that not all these activities would be affected materially, but certainly many of them would feel the shrinkage. Obviously, the cut must fall somewhere. The above activities constitute the chief functions of Government that could be reduced, and there apparently is no escape from the conclusion that the cut must rest, almost if not entirely, upon that grouping.

Some outlays of the Government can not be touched. One of these is the payment of interest on the outstanding debt, approximately $700,000,000. Thus, from the $3,200,000,000 appropriated for routine Government work this year (exclusive of extraordinary appropriations such as moneys for the Reconstruction Finance Corporation, the Home Loan Board, etc.), $700,000,000 can be eliminated at once as non-reducible.

This leaves $2,500,000,000, but there are numerous items in this total that likewise are untouchable. Treaty obligations, for instance. Trust fund requirements constitute another. But even if the entire $2,500,000,000 were available for budget-pruning, the reduction ordered would amount to one-fifth, or 20 per cent.

Mr. Hoover has not indicated in detail where the cuts would lie, nor is it likely that he will indicate the details of his program before sending the estimates to Congress. It has been Presidential policy, however, in other years to spread reductions as evenly as possible among the departments, alloting to each branch its proper proportion of the economy. If that course were to be followed now, practically each branch of the routine Government establishment would be asked to cut its spendings 20 per cent next year. But there is no indication that the President will do this, further than the fact that it has been the customary method.

So many interests would be affected by the program, each interest firmly entrenched and each with its own lobby—some possessing vast influence over Congress—that the whole plan, attempted at a stroke, is almost certain to fall when the (CONTINUED ON PAGE 62)

EDITORIALS

Unemployment

AFTER this depression is over there will still be millions of men whose services in commerce and industry will no longer be required. Time and business recovery may alleviate but will not solve the problem of unemployment. Compulsory idleness existed before the depression and will harass recovery. In fact, recovery is the wrong name for any state of exhilaration in American business during the next year which does not include a plan for the use of surplus human energy.

That is why the national movement to spread work and create more jobs under the direction of Walter C. Teagle is a task of great importance.

ON THE OTHER HAND

CHRONIC unemployment means that we are ready for a long step forward. It means that we can maintain approximately our present standard of living in the United States with 10,000,000 man-power to spare. Potentially this number is probably nearer 20,000,000, for if existing agricultural and industrial machinery could be used to its fullest efficiency only a fraction of our present labor at eight hours daily would suffice. The existence of surplus workers in large numbers is a clear signal to go ahead and build better homes, office buildings, roads, manufacture better products and do things for our comfort which previous generations had no time for.

Eagles' Nests

DR. WILLIAM BENNETT MUNRO, in his address before the American Bankers Association Convention in Los Angeles, enumerated the present day perversions of democracy and said: "All over the world there are flocks of sparrows sitting in eagles' nests".

We know that politicians, in choosing whom to offend, will always measure a group by its voting strength. Bankers represent no bloc. They do not vote alike and they cannot be told how to vote. That is one reason unsound banking legislation is a constant threat and why criticism of bankers is often, like patriotism, the last refuge of a candidate for public office.

TWICE FORGOTTEN

YET there exists a banking bloc of great potential power, whose members are not bankers but depositors. Among the forgotten men who should get more attention from political leaders are millions of persons who have bank accounts. Often they are twice forgotten; first by lawmakers who experiment with the banking system, and sometimes by the depositors themselves for thinking that the average lawmaker knows enough about banking to improve it.

It has long been a custom in this country, during a period of economic stress, to elect men to public office who know less than usual about economic problems. There are various good reasons why this practice should prevail and none of them does any credit to public intelligence. However, we face the prospect of a period of several years during which the financial affairs of the nation and various states will be administered in large measure by men whose education has been politics and whose point of view is politics, just politics.

Bankers owe it to their depositors to find out more about legislative machinery. They should know the exact steps by which a bad law gets itself on the books. They should know in detail the character, background and experience of their respective representatives in Washington and the state capital. This knowledge is likely to be just as essential to successful banking in the immediate future as good management itself.

CAREER OF A BILL

EVENTS in the life of a bill, from the time it is a tiny idea in someone's head to the third reading and vote, vary somewhat between different parliamentary bodies, but the general procedure is much the same everywhere. The author, with or without assistance, gets his stenographer to prepare several copies which he sends to the clerk and requests permission to introduce the proposal as a bill. When the author's turn comes he formally introduces his measure and may have something to say about the committee into whose care the bill is assigned. The clerk gives the bill a number, reads it and the author moves that it be given a second reading. At this point perhaps mimeographed copies are made for distribution to colleagues and others who may be interested. From then on, while the bill is in committee and before its final reading, changes are possible, even to the point of complete revision.

Obviously the point at which bankers can be of the greatest service to depositors in preventing harmful banking legislation is while the idea is only a bud.

Recently in a middle western state, a legislator who had been a garage proprietor and good citizen before entering politics, evolved an elaborate plan for insuring deposits and his bill was so simple in texture that it caught the fancy (CONTINUED ON PAGE 71)

THE MONTH

INTERNATIONAL

PRESIDENT HOOVER—At Des Moines, "I come to you with no economic patent medicine especially compounded for farmers. I refuse to offer counterfeit currency or false hopes"

ASSOCIATED PRESS

PHILIP SNOWDEN, who resigned from the British Cabinet in protest against that government's tariff and imperial policies

WIDE WORLD

RE-UNION—The handshake that made political—and Democratic—history

•

KEYSTONE—UNDERWOOD

RAILROADS—A prominent citizen who heads the National Transportation Committee in the interests of bondholders

CARSON PIRIE SCOTT—UNDERWOOD

INVESTMENTS—Frank M. Gordon, elected president of the Investment Bankers Association of America. He is vice-president, First National Bank of Chicago and the First Union Trust and Savings Bank

•

ACME

MANCHURIA—League of Nations, Lytton Report, ten principles for settlement. "It must be clear from everything that we have already said, that a mere restoration of the status quo ante would be no solution." Lytton Commission, left to right: Count Luigi Aldrovandi-Marescotti of Italy; Gen. de Division Henri Edouard Claudel of France; the Earl of Lytton, former Viceroy of India, chairman; Dr. Heinrich Schnee of Germany; and Major Gen. Frank R. McCoy of our State Department

Banking—Along the Ohio

By HERBERT MANCHESTER

IN the early years of the United States the Ohio River was the great line of communication between the East and the West. Before the steamboat era it supplied not only the waterway but also the power that carried thousands of rafts, barges, flatboats and arks down the stream and into the Mississippi on their long journey to New Orleans.

It was evident to all that the Ohio Valley was to have a great growth. Various companies bought tracts for colonizing, and many a propitious site was selected in the hope that it would become a metropolis. As early as 1792, Kentucky had enough settlers to be admitted as a state. A decade later, when Ohio became a state, Congress made arrangements to build the National Turnpike over the old road from Cumberland, at the head of navigation on the Potomac, to Wheeling on the Ohio. In 1804 Pennsylvania constructed a highway over the Alleghenies from Philadelphia to Pittsburgh. This added to the boom along the Ohio, and facilitated the settlement of the towns and the growth of trade.

The development of the valley at once created a demand for money and loans. Land was bought on instalments, trade was mostly by barter, and there was almost no cash in circulation. To improve these conditions, the Kentucky Insurance Company was organized at Louisville in 1802, with banking privileges, and it began to issue bills. The Bank of Kentucky was founded in 1806 and likewise issued paper money.

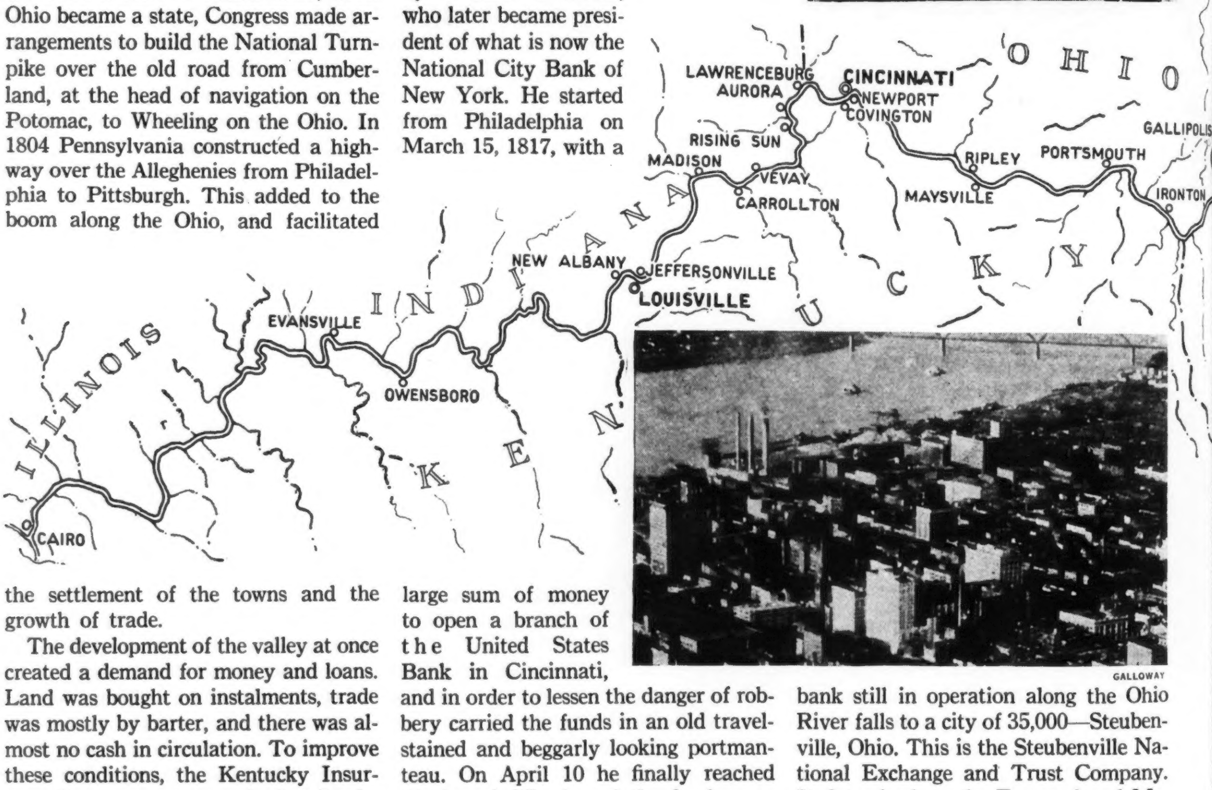
At Pittsburgh a branch of the Bank of Pennsylvania was opened in 1804, and in 1810 the Bank of Pittsburgh was founded. The latter institution continued in business for more than a century.

In Cincinnati, the Miami Exporting Company was established in 1803 to promote the shipment of Ohio products to market, while it financed a grain mill and a woolen mill to supply local needs. It went into banking in 1807 to supply money for the rapidly growing district, and for many years was the most important institution of the valley.

The difficulty of transferring money in those days is illustrated in an account by Gorham A. Worth, who later became president of what is now the National City Bank of New York. He started from Philadelphia on March 15, 1817, with a large sum of money to open a branch of the United States Bank in Cincinnati, and in order to lessen the danger of robbery carried the funds in an old travel-stained and beggarly looking portmanteau. On April 10 he finally reached Cincinnati. Worth and the funds were received with the booming of cannon. The branch was withdrawn in 1820, however, with what Worth later called thoughtless inconsideration.

The honor of now having the oldest bank still in operation along the Ohio River falls to a city of 35,000—Steubenville, Ohio. This is the Steubenville National Exchange and Trust Company. It dates back to the Farmers' and Mechanics' Bank founded in 1816 with John C. Wright as president and Thomas Scott as cashier—a private bank at first, but chartered by the legislature the next year.

UNDERWOOD PHOTO

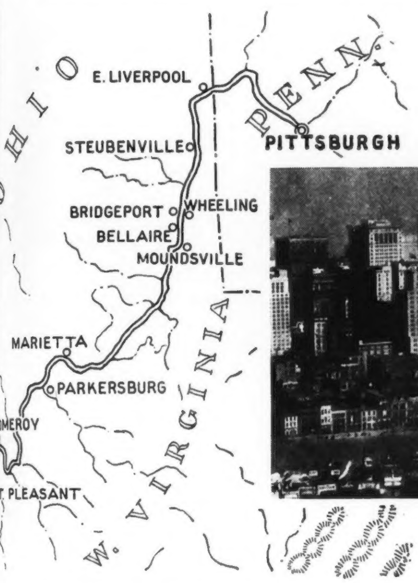


GALLOWAY

In tracing the development of banking in the Ohio River Valley from pioneer days to the present time, it is obviously impossible within the short space of this one article to do more than mention a few of the oldest banks in this area. The accompanying article continues the "Banks and Cities" series which Mr. Manchester has been writing for the JOURNAL

At that time the steamboat era on the Ohio was just beginning. A steamboat had been built in Pittsburgh in 1811 and had made its way down the river by the end of the year. But the question of monopoly rights and the War of 1812 intervened, and it was 1819 before steamboats began to ply regularly between Louisville and Pittsburgh. These boats revolutionized intercommunication and definitely linked together the towns along the river.

Tobacco, wheat, lumber, coal and iron were exported in increasing amounts, while manufactures were imported in return. The sales of public



land increased year by year, while town lots were auctioned in a score of sites along the river. Canals were started around the falls of the Ohio at Louisville, along several routes to connect the Ohio River with Lake Erie, and for various other less practicable purposes. All of this made an insistent call for money, loans and financing, and gave rise to various new banks, some of which are still active.

One of these was the Pittsburgh Savings Fund Company, which was founded in 1832 with James Fulton as president. In 1841 it became the Farmers' Deposit Bank, which is now nationalized and one of the great banks of that city. The Wellsburg National Bank in West Virginia likewise dates back to 1832.

At Evansville the State Bank of Indiana, which was established in 1834 with John Mitchell as president, is now known as the Old National Bank. The Bank of Maysville, in the burley tobacco center of Kentucky, dates from 1835. Over-speculation in western lands and canals brought on the crisis of 1837, but all of these banks survived that period, and in fact they have survived six major crises.

The recovery from the crisis of 1837 was made difficult by the collapse of the canal traffic and by the wildcat circulation of the period. It was aided, however, by the boom in the new railroads that outmoded the canals, and by the revival in western lands. At first, railroads were started merely to connect towns with the river, or to link the Ohio

UNDERWOOD

with the Potomac or Lake Erie, but later they began to spread in all directions. They were financed by the towns they served, which means that most of the financing was through the local banks. Development of the steamboat and of new railroads made possible the rise of the packing industry. Cincinnati became the pork packing center, keeping its lead until the Civil War. This also required commercial financing.

Banks along the Ohio that helped in these developments before the Civil War, and that are still operating, include the following: Dollar Savings Bank, founded in 1855 at Pittsburgh; Union National Bank (1857), Pittsburgh; Bridgeport National Bank (1846), Bridgeport, Ohio; First City Bank (1851), Pomeroy, Ohio; Citizens National Bank (1853), Point Pleasant, W. Va.; Citizens National Bank (1847), Ripley, Ohio; Liberty Bank and Trust Company (1854), Louisville, Ky.; Citizens Trust Company (1855), Jeffersonville, Ind.; and the National Deposit Bank (1860), Owensboro, Ky.

Another group of pioneer banks along the Ohio River included the early national banks that were founded under the influence of Secretary of the Treasury Salmon P. Chase and of Jay Cooke. In urging the national bank system, Jay Cooke and his brother, Henry, who had made tremendous successes as agents for United States bonds, sent articles to the newspapers in which they had been placing bond advertisements, arguing for the new banks as providing an absolutely safe currency, uniform and acceptable throughout the nation; fiscal agencies for Government transactions; and a sale of bonds as a basis for circulation. Secretary Chase was an Ohio man and because of this his ideas were received more readily there, and Jay Cooke was born in Ohio. After the national banking system was inaugurated, one of Cooke's agents, C. H. Stearns, made a trip down the river in 1863 and assisted in establishing national banks in a number of towns.

In 1865 a 10 per cent tax was put on the circulation of notes of other than national banks. This forced the institutions depending on circulation to nationalize and the new banks to take out Government charters, but the trust companies, which were becoming more common, operated under state charters.

FROM CIVIL WAR DAYS

TO the group of pioneer banks which were established in the Civil War decade and are still prospering, belong the following well-known institutions in Pittsburgh: First National Bank, founded in 1863; City Deposit Bank and Trust Company (1866); Peoples-Pittsburgh Trust Company (1867); Mellon National Bank (1869); and the Fifth Avenue Bank (1869).

By that time Pittsburgh was becoming interested in oil, coal and steel—less of a river town and more the center of an industrial district of its own.

Along the Ohio below Pittsburgh, the following banks are among those that were active during the Civil War period, and that are still in operation:

National Bank of West Virginia, Wheeling, W. Va. (1817).
First National Bank, Marietta, Ohio (1863).
Parkersburg National Bank, Parkersburg, W. Va. (1839).
First National Bank, Gallipolis, Ohio (1863).
First National Bank, Ironton, Ohio (1849).
First National Bank, Portsmouth, Ohio (1863).
Ripley National Bank, Ripley, Ohio (1864).
First National Bank, Cincinnati, Ohio (1863).
Second National Bank, Cincinnati, Ohio (1863). (CONTINUED ON PAGE 67)

"The job ahead for bankers is to assert in economic affairs the leadership which is rightfully theirs and which, in the final analysis, they cannot delegate to any other group," said James L. Walsh, executive vice-president of the Guardian Detroit Union Group, Inc., before the Chicago convention of the Financial Advertisers Association. "Consequently, it is the job of financial advertising men to broaden their viewpoint to include the whole economic horizon; to translate economic truths into language that is readily understood and believed by the man on the street; to preach the gospel that the growth of a bank is wholly dependent upon the prosperity of the community it was organized to serve; to demonstrate by facts and figures that the progress of all classes, all groups, all industries, and all sections, is directly dependent upon the progress of the nation as a whole; to hammer home the fundamental fact that nations engaged in international trade are *inter*-dependent. Give us a new 'Declaration of *Inter*-dependence.'"

HUGHES

Reconstruction Advertising

How 35 Leading Bank Public Relations Men View Policies, Methods and Appropriations for the Work to Be Done

•

THE next six months should offer exceptional advantages for the proper advertising of sound banks. These have an asset in retained public confidence which can well be capitalized by advertising which reflects stability, sound management, sane perspective.

ADVERTISING is the one salesman who goes exactly where you send him and says precisely what you want said. Silence will not combat the whispering that wrecks banks. The most powerful defensive weapon is advertising. Use it liberally.

ALL of the specific, confidence-building advertising that banks do in the next six months will not offset the flood of negative publicity of the immediate past. The less advertising done, the longer it will take to rebuild confidence.

ADVERTISING must lead the way out. Banks have been generally misunderstood and unjustly censured. We must advertise as much as ever before—but bank advertising, like business methods, must adapt itself to new conditions and new standards.

WITHIN reason and good business judgment, bankers should show the public frankly, through the medium of word and illustration, what goes on in a bank and how bankers think and act. Only thus can proper understanding between banks and public be re-established.

THE public has had many opportunities to criticize—often rightly—banks and bankers. The job ahead for any sound bank is to appeal to the public's reason, show how and why a bank must operate as it does, and thus rebuild confidence.

FIND out what the average man is doing, thinking. Appeal to him. Tell him what he should do in respect to his banking—and why. Advertise liberally, for now it will bring results in public confidence and increased business.

IN view of the public's perturbed mind about banks, the next six months demand increasingly vigorous and aggressive advertising.

NO bank is any stronger than its customers and depositors think it is.

BANKS should analyze their territories to determine the volume of profitable business that exists or that may be developed. To obtain such business, and to build confidence and goodwill, should be the advertising and new business program of every bank during the next six months.

IN the past we have assumed that the public was acquainted with the benefits that good banks bring. We have since learned otherwise by painful experience. Now we must begin all over again, and must sell and sell.

IT behooves every bank to teach its customers and the general public the basic principles of banking, and the part which the public must necessarily play in the successful conduct of the one business which is essential to all businesses.

FOR the next several months banks should devote much of their advertising to re-establishing public confidence and stimulating the buying trend which can alone restore normal conditions. Last year our appropriation was the largest ever, this year it will be slightly lower.

•

A special representative of the JOURNAL interviewed a number of the bank advertising men in attendance at the Financial Advertisers Association convention held recently in Chicago. He asked, "What, in your opinion, should be the policy of banks during the next six months with reference to the advertising and publicity departments?" The statements of these men are given here without identification, thus permitting their frank and sincere expressions on this problem as they see it

BORIS

"Our biggest job is so to impress on financial executives the importance of public relations work that they will determine upon a long-time policy," said H. A. Lyon, advertising manager of the Bankers Trust Company of New York and the newly elected president of the Financial Advertisers Association. "Also, that public relations work requires having responsible heads fully informed, or else that they give those who are informed as much authority as the other major executives"

THE banker's job, and that of his publicity and public relations program, is to let the public know he is now willing and able to back up with cash (in loans) his expressed satisfaction with the improved public sentiment toward banks and business.

OUR bank's advertising policy is constructive education. We shall tell our depositors more about ourselves, how our bank functions. We shall make more talks, cultivate a closer relationship with the newspapers and, above all, continue advertising—loud, clear, and often.

OUR advertising policy, we believe, should include consistent and full schedules during the next six months. Copy should call attention briefly, forcefully, interestingly, to the services we have to offer.

WE believe that our bank, in a small city, should do a somewhat more intensive advertising job, supplementing newspaper space with direct mail. Last year heavy advertising brought tangible results. Conditions for the coming year should make this pay even better.

ADVERTISING as much as ever before, we are using historical data linking our steady growth over a century and a quarter with our city's progress, and are stressing it to be a direct result of sound banking methods.

IF I knew what we should be doing about our advertising, we'd be doing some. I don't know, so I can't sell our officers on what to do. Until business is more surely stabilized, I confess I shall not know.

WE have weeded out the "junk," scraped off the barnacles, and thus reclaimed about 10 per cent of last year's appropriation. We have taken this 10 per cent, added another 10 per cent, and have increased our advertising in worthwhile media 20 per cent. This we shall continue.

BANKS at this time should not retrench in their advertising, but rather should devote a greater amount of advertising effort toward restoring public confidence in the use of banking service.

NOW, and for some months, the problem is to improve general conditions rather than directly to solicit business or defend banking. With a larger appropriation than for several years, we are urging the public to hold back buying no longer.

BANKS should base their future advertising on the problems shown up by the past. We believe that, in the next six months, banks will and should gradually step up their advertising.

WE plan to keep pounding—probably increasing the amount we are now spending. Our billings are as high today as at any time in our history of over a century.

A BANK should determine which of its products is most salable, and sell it as hard as possible—for this will produce word-of-mouth advertising from new customers which can do a lot to counteract word-of-mouth criticism.

The problem ahead is three-fold: Find the community's opinion of the bank; correct any unfavorable impressions; capitalize compelling selling points. The solution: Appropriate an amount *adequate* to tap every potential source of new business desirable alike for bank and customer

I BELIEVE banks—at least some of the leaders—should get together and sponsor an advertising campaign in national magazines to correct some of the misapprehensions about our business. It probably wouldn't be possible for any one bank, but a group could in this way do much for the banking business.

INDUSTRY is learning that the greatest success comes to those who pay intelligent attention to the wishes of the consumer. Banking cannot change its innate functions, but it can learn to explain and offer its services in such a way that the customer is not only satisfied but knows why he is satisfied. That's a big job, but it can be done if banks will acquire the other fellow's point of view.

THE best thing we men can do is to learn a great deal more about banking, improve our knowledge of profitable business, and go after it by advertising and all other methods.

RELATIVELY, banking policy for the next six months is unimportant. What banks do in this period toward creating a policy for the next ten years is important.

DEFINITE public relations policies by the banks must accompany the recovery. What these are and how courageously they are followed, will distinguish the institutions that are to take front rank in their communities.

GOOD banking and constructive advertising go hand in hand. You can't separate the two. Banks owe it to their customers and to the local public generally.

A LONG-PULL policy, and the courage and conviction to go ahead—may we have more banks alert to their duty and to the opportunities for leadership.

SAY what you please, business and the public look to bankers as we come out of the depression. And bankers must look to public relations and to public relations men to help them.

The Distribution of Financial News

By
F. EDMONDS TYNG, JR.

Bankers in larger cities are important buyers of financial news. In small towns, however, the sources are not so varied. Mr. Tyng, who edits the banking news for the New York Sun, describes here the huge mechanism in operation for news distribution, and shows how the lack of general reader interest in small towns too often relegates many items of banking value to the local editor's wastebasket instead of to the copy desk

MARKETS, it is often declared, vibrate on news. But other things, too, vibrate on news, such as bank investments, loans and policies. Everyone realizes the value of news. But what is not always recognized is that all essential news is available, and the fact that it is not disseminated in sufficient detail or quantity in some sections of the country each day must be due either to imperfect wholesale distribution or, what is more likely, to the improper retailing of financial news locally. Often, through no fault of their own, local editors are not aware that some of their readers want a certain type of news.

The banker in the large city follows the news closely, and most metropolitan financial newspaper men are under no illusions as to why bank presidents usually receive them promptly and cordially. The president often exchanges news and gossip, though he invariably tries to get more than he gives. Large banks always are the most important buyers of information, however purveyed. But how about the banker in the smaller town? The news is important to him too, but he has no financial newspaper men dropping in daily to tell him of the latest choice facts and rumors and usually he cannot afford to install news tickers or expensive services which only large institutions can buy. He does purchase what he can, though some of it frequently is a little stale on delivery. He gets what he wants, but the grapevine circuit is often roundabout.

An officer of a large city bank, whose chief duty is to care for out-of-town correspondents, gives a few interesting sidelights on how some of his customers keep informed. They make it a practice to visit the nearest big city, at least one officer each week. The officer calls first upon his city correspondent, pumps dry the source of information there, dines and gossips with acquaintances at a luncheon club and in the afternoon calls upon bond houses to keep up with what is going on in the securities in which he is interested. The information obtained on these trips assays sufficient value to more than justify the expense.

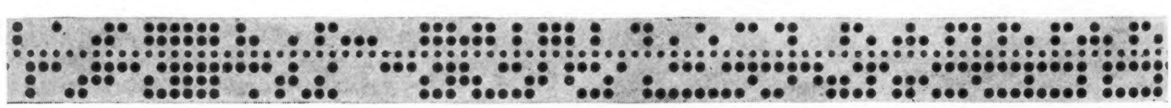
The officer of this metropolitan bank says that bankers in the smaller towns are omnivorous readers of the local press. Usually the local newspaper is a morning or afternoon journal which gives local trade news, merchants' activities, mortgages filed and foreclosed, property transfers, building permits, judgments and liens, the local gossip and who died and why. If the town is important enough to support a few financial advertisers such as branches of city stock brokerage firms, the local paper often will carry a column or two of financial news from Wall or La-Salle Street. If the town is on the outskirts of a big city, the local banker will be a faithful reader of the financial news in a metropolitan newspaper.

Every local bank officer has his favorite trade paper and statistical or investment service, and many of these are admirable and useful, as are the monthly bulletins of the various Federal Reserve banks and the Federal Reserve Board, and the letters sent out periodically by large city banks. Information can always be had if it is known where to seek it. The current daily news of the markets, which often falls into wastebaskets before it has a chance to get into print in the local paper, is what appears to be chiefly lacking.

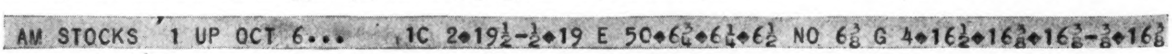
This brings us to the subject of news

KEYSTONE—UNDERWOOD

In the wire rooms of the Associated Press, as shown here, and in other great agencies, financial news goes quickly on its way day and night. From copy paper to teletype tape, to transmitting machine and over the wires to subscribing papers. Minutes only are required



Above, a few inches of the teletype tape, with a language all its own. Below, the more readable version received over the wires



Translating these tapes, the flash reads: "A. M. stocks, first and following sections of the list, October 6, Abraham and Strauss, 200 shares, high, low and close, 19½, off ½, last bid 19; Adams Express, 5,000 shares, high 6¾, low 6¼, last 6½, no change, last bid 6⅜; Adams Millis, 400 shares, high 16½, low 16⅜, last 16⅜, off ⅜, last bid 16⅜"

TIME	STORY	CKTS
9:30 AM	NEW SECURITIES	105
9:30	IRON AGE REVIEW (WED)	105 & 1040
35	TODAY'S CORP NEWS	105
40	BROKERS COMMENT	105
55	BUSINESS NOTES	105 & 1040
10:00	WALL ST. BRIEFS (ADDS LATER)	GEN.
05	WALL ST. HEARS	105
10	WALL ST. OPENING	GEN.
12	ADD WALL ST. OPENING	GEN.
15	ADVANCE STOCK & BOND AVERAGES	GEN.
18	CURB OPENING	105 & EAST
22	BOND OPENING	105
25	SUB INTRO WALL ST. OPENING	GEN.
30	FARMS AND MARKETS	STATE
35	STEEL TRADE REVIEW (WED)	GEN.
38	PEPPERMINT OIL	BIG CITY
45	OPENING BANK STOCKS	STATE
11:00	COTTON OPENING	GEN.
05	PRODUCE (GRAIN ETC)	GEN.
10	GERMAN BONDS	BIG CITY
10	EARLY LEAD WALL ST.	GEN.
33	ADD CURB OPENING	105
50	COTTON RANGE	BIG CITY

A part of the daily (except Saturday) schedule of Wall Street routine as it is followed by the Associated Press

8 to 10 a.m. (page)
FINANCIAL GOSSIP
NEW FINANCING
FARM LOAN BONDS
NEW YORK HAY
GRAIN BRIEFS
COTTON NOTES
METALS
NEW YORK PROD
BUSINESS AT GLANCE
LIV'PL COTTON
FOREIGN EXCH
LONDON METAL
BROKERAGE OPINION
LONDON STK MKT
COPRA AND HEMP
10 to 11 a.m. (page)
CURB OPEN
BOND OPEN
STK MKT LEAD
STOCK OPEN
COTTON OPEN
SUGAR OPEN
PS LVSTK & PROD
HX GRAIN AND OPEN LVSTK
CURB LEAD
BOND LEAD
COTTON LEAD
CHGO STOCK LEAD

The United Press also measures the minutes. These schedules cover the day's events until final editions are on the streets

distribution. The principal established press services daily distribute thousands of words of news of all happenings in the financial centers over hundreds of thousands of miles of leased wires. A visit to the offices of the Associated Press will reveal that this organization has more than 25,000 miles—out of a total of 226,000 miles of leased wires —devoted exclusively to the dissemination of financial news to that subscribing portion of the 1,300 member newspapers. Almost all of this financial mileage is new within the past decade. Specimens of material placed upon the wires indicate beyond a doubt that it is most complete, especially the items sent over the general wires which go to most of the circuits. The Associated Press has a policy of never attempting to tell a local editor what he should use, and the editor of course uses only that material in which he believes the readers of his paper are interested.

A call at the offices of the United Press reveals that its financial news coverage also is complete, and that 7,000 to 10,000 miles of its 140,000 miles of leased wires, serving 1,190 customers, are devoted to news exclusively financial.

The United Press finds that the distribution of financial news and the demand for it reached a peak in 1929 which carried over into 1930. With the decline in price levels and the depression in business, which forced economy in newspaper enterprises as in other industries, the distribution declined until a few weeks ago when the turn in the trend of security and commodity markets stimulated reader interest anew and led to another rise in the curve of quantity distributed and used. The United Press has about 100 financial customers and the news it sends out, like that of other services, is varied and ranges from descriptions of the stock market to the mule markets. The latter are followed quite closely in the cotton areas of the country.

There are also other important news services, such as the Consolidated Press, which furnishes financial news to about 45 evening newspapers over 10,000 miles of wire. Most of those newspapers use what is sent them, for they are located in the more important cities. The International News Service, which disseminates news, including financial, between New York and Los Angeles, is another important distributor, to say nothing of syndicate services operated privately by some of the great metropolitan dailies. These are the wholesalers.

KEYSTONE—UNDERWOOD

The lack of demand in some small communities, however, prevents the retailers, or local papers, from stocking a sufficiently varied and a large enough quantity of the material offered and even delivered at their offices.

How does the local editor gauge reader-demand? Do his readers call or write to say what they would like to see in his paper? Readers notoriously are negligent in this respect, except those who follow the society news—and their hunger is never appeased. Does the editor know who, among his readers, is interested in stocks, bonds, metals, cotton, grain or rubber?

Sometimes—in fact, often—the local editor is an important man in the community, and he finds out or already knows all this; sometimes he keeps a mental credit file on his readers.

Events and Information

WITHIN THE ASSOCIATION

"THE foundation of the educational work of the American Bankers Association is through its educational section, the American Institute of Banking. Among the Institute courses is one in public speaking. It is not designed to make orators, but to train men to think on their feet before an audience and to speak plainly, intelligently and with ease." HARRY J. HAAS, Retiring President, American Bankers Association, and vice-president, First National Bank, Philadelphia.

"THE only thing that I feel appropriate to say at the moment is that I thank you from the bottom of my heart for the great honor that you have bestowed upon me and assure you that the greatest pleasure that I shall get out of it is the greater opportunity that I shall have to be of service, and whenever President Sisson and Vice-President Law will need my services during the coming year they will most certainly find me ready. I thank you." R. S. HECHT, Second Vice-President, American Bankers Association, and president, Hibernia Bank and Trust Co., New Orleans.

"THIS is my last official act, to pass the office of the Presidency of the American Bankers Association on to Mr. Frank Sisson. I feel keenly and deeply that this year our job is to sell the American banks, our banks, to the public, and I do not know any better man who could be selected for that particular job than Mr. Frank Sisson. It has been his job, his forte, in the banking business.

"He organized the public relations committee of the American Bankers Association; he was the Daddy of the JOURNAL of the American Bankers Association for some time, and even now he is consulted on all occasions by the JOURNAL. He is the publicity specialist in the Guaranty Trust Company, New York, and I am sure that our business next year will receive a tremendous impetus by reason of the fact that Mr. Frank Sisson is President of the American Bankers Association." MR. HAAS.

The JOURNAL publishes here several paragraph statements taken from the proceedings of the Los Angeles Convention. On the following pages are the new officers, excerpts from addresses by Mr. Haas, Mr. Sisson and Mr. Mills, the resolutions adopted, and new committee appointments. Digests of all addresses are being published in booklet form by the JOURNAL and are available upon request

WIDE WORLD

"Let's continue, let's highly resolve, that in all matters where reasonable doubt appears, matters that come to your desk and mine, let's continue to resolve them in favor of the depositor; let's be careful, conservative, helpful where we can, consistent with sound banking, but always careful and conservative; and then I think we can face the future calm and unafraid." F. M. LAW, First Vice-President, American Bankers Association, and president, First National Bank, Houston, Texas

MR. HAAS: "Under the head of new business, I would like to say just a few words. A convention such as this that we have had here, with splendid arrangements in every detail, does not just happen. We do not just come here and take these things. It is a result of a lot of work; it is a result of organization, a result of the work of the local committees. I have gone through it myself, in Philadelphia, and I know what they have done.

"I just want you to know the men who have done this job. I want you to know Mr. A. M. Chaffey, who was the General Chairman."

... Mr. Chaffey stood to acknowledge the introduction. . . .

MR. HAAS: "I want you to know Mr. W. R. Morehouse, who was the General Manager of the local arrangements, and the wheelhorse."

. . . Mr. Morehouse stood to acknowledge the introduction. . . .

"THE last few years have made heavy demands on the banker. On those who, in addition to their regular duties, have undertaken to represent him officially, many added burdens have fallen. Most of us see only the honor which election to office confers and seldom have occasion to realize the responsibilities which such honor brings. Having been on both sides of the equation, I can speak with authority of the work and responsibility, but I can likewise speak of the appreciation for work well done, which continues long to live in the hearts of our many professional brothers. I know the respect and the affection which we feel for those who during the last trying year have so well piloted the affairs of our Association, and the thanks that each one of us would convey to you were the opportunity his." J. H. PUELICHER, president, Marshall and Ilsley Bank, Milwaukee.

"IN business a man may expect the cooperation of his associates in working towards some definite goal; in Congress, partisanship is the general rule and often members of opposite parties, although possibly close personal friends, find themselves in an antagonistic position because of party policy. Every piece of legislation which reaches the President's desk is usually a compromise." ROBERT V. FLEMING, president, Riggs National Bank, Washington, D. C.

"IN facing the future, the bankers of this country can find abundant ground for pride in the service they have rendered." FRANCIS H. SISSON, President, American Bankers Association, and vice-president, Guaranty Trust Company, New York.

NEW OFFICERS ELECTED AT LOS ANGELES

BOYÉ STUDIOS

R. M. SIMS

President of the Trust Division. Mr. Sims is vice-president of the American Trust Company of San Francisco, California

Rudolf S. Hecht

Mr. Hecht, one of the nation's outstanding bankers, was elected Second Vice-President of the Association. He is president, Hibernia Bank and Trust Company, New Orleans

BLANK & STOLLER

GILBERT L. DAANE

President of the Savings Division. Mr. Daane is president of the Grand Rapids Savings Bank of Grand Rapids, Michigan

REMBRANDT STUDIO

J. R. CAIN, JR.

President of the National Bank Division. Mr. Cain is vice-president of the Omaha National Bank of Omaha, Nebraska

RICE STUDIOS

WALL G. COAPMAN

President of the State Secretaries Section. Mr. Coapman is secretary, Wisconsin Bankers Association, Milwaukee

L. A. ANDREW

President of the State Bank Division. Mr. Andrew is vice-president of the First Bank and Trust Company, Ottumwa, Iowa

A Good Record for Banking~

By HARRY J. HAAS

"As compared with other lines of business during this depression, banking need not apologize to anyone," said Mr. Haas before the Los Angeles Convention of the American Bankers Association. The JOURNAL publishes here the facts he gave in support of his statement. This article is taken from his address as retiring President of the Association

BANKING has proved itself one of the strongest elements in our economic structure. It was not the great weak spot, as some would have it appear or as many persons, seeking someone else to blame for their own short-comings, have led themselves to believe.

Facts support this statement. Popular misconceptions about banking are attributable to the figures that have been given out to the public without adequate efforts to put them in their proper perspective. In fact, during the period of fear, unreason and mass hysteria, a sober public consideration of the matter was undoubtedly impossible. It may be possible now.

Let us take the bank failure figures for 1931. They represent the worst year's record in the history of American banking, and we cannot be accused of using selected figures. In that year 2,300 banks closed their doors with deposit liabilities of $1,690,000,000.

ANALYZING THE FIGURES

BANK failure news has been heralded to the country as though that meant a *loss* of $1,690,000,000 of the public's money deposited in banks. It meant no such thing. It meant that this gross amount of deposits was temporarily tied up. A considerable amount has already been paid back to depositors and the bulk of it will ultimately be returned to them. It has been estimated that, on the average, about 75 per cent of deposits are finally repaid through liquidation of closed banks. This would mean that the actual ultimate loss to depositors through the 1931 suspensions will be less than $500,000,000. Since this would be distributed among 2,300 institutions, the average bank failure represented a loss of probably little more than $200,000. Since it is estimated that the average bank has about 1,750 depositors, the general average per capita loss among depositors as a whole would finally be less than $125.

It is true these averages will bring small comfort to the individual who has lost all or a goodly part of his cash in bank through failure. But treating the bank failure situation as a public question, we must take it by and large and not in individual cases. The facts are that nine out of ten banks were not involved in suspensions and therefore caused the public no losses.

There is another public aspect of this bank failure matter that has been thrown entirely out of focus, and that is the question of the relative safety of money entrusted to banks as deposits compared with what happened to it elsewhere during the year 1931. What was the loss ratio for money on deposit in banks at the outset of 1931 as compared with money invested in stocks or bonds or commodities?

At the outset of 1931 there was on deposit in all banks the aggregate sum of about $57,250,000,000. As we have already estimated, some $500,000,000 of this may ultimately be lost to depositors. That would be less than 9/10 of one per cent of the total. That is, the money in our banks was 99-1/10 per cent safe throughout the most disastrous year in the history of the nation.

COMMODITIES, BONDS, STOCKS

HOW about dollars invested in commodities? The Bureau of Labor Statistics wholesale price index for all commodities stood at 77 at the opening of 1931 and at 66 at the close. This was a drop of 14 per cent.

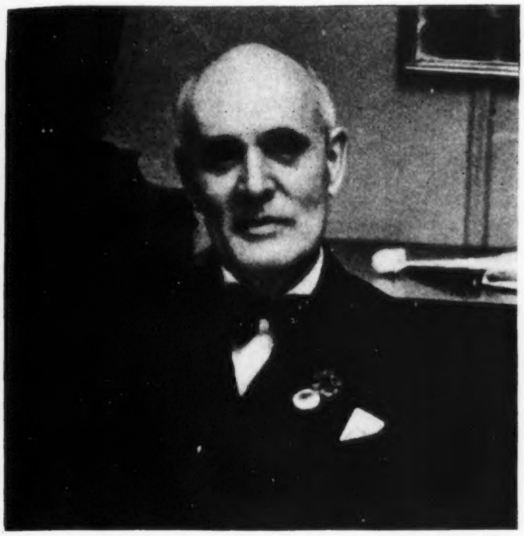
How about bonds? A standard index for a representative group stood at 99.6 in January, 1931, and at 81.6 in December, a loss of 18 per cent.

Finally, how about stocks? A standard index comprising over 400 good American stocks suffered a depreciation of 48 per cent during 1931 alone, and at the end of that year it was over 69 per cent below the 1929 average price level on which a great many investors in this field established their positions.

Some one might very properly state that this is not a fair comparison as many are still holding their investments and recently they have shown a material improvement marketwise, so that it is impossible at this time to determine their ultimate losses. This is true and the calculation must then be comparable to the recoveries made on deposits in closed banks. We do know, however, that during 1931 the national banks reported charge-offs equal to 1.55 per cent of their total investment holdings which is 65/100 per cent in excess of the ultimate loss on closed banks. Again, one might say that banks continued to fail during 1932 involving further losses to depositors, but here again we find that bonds listed on the New York Stock Exchange dropped from $49,500,000,000 in September, 1930, to $47,500,000,000 in January, 1931, a loss of $2,000,000,000 in only four months, and they continued their losses for some time during the current year. The same thing held true in (CONTINUED ON PAGE 52)

—United Action for the Future

By FRANCIS H. SISSON



"The road back to prosperity is a long, uphill trail. There will be setbacks and discouragements; and, when the objective is reached, prosperity will bring new problems to test wisdom and patience," Mr. Sisson reminded bankers at the Los Angeles Convention. The following is taken from his address as the new President of the American Bankers Association

•

OF MORE serious concern to bankers than the unjust and, in many cases, absurd accusations that have been hurled against them is the loss of confidence in the soundness and stability of financial institutions due to the numerous bank failures of recent years. In their defense, bankers can justly claim that they have been subjected to unprecedented difficulties. They can justly point out that the seriousness of the situation has been exaggerated; that the number of banks that have closed is only a small proportion of the total; that the proportion of deposits affected is even smaller; and that, even in closed institutions, the ultimate losses to depositors will, in many cases, not be large. They can justly lay a portion of the blame on the public legislative and administrative bodies that make and enforce the banking laws. But such statements, while perfectly true, do not solve the immediate problem, which is the restoration of public confidence in banks.

In the course of this depression, we have seen a wide-spread adoption of the practice of currency hoarding, which many of us had come to regard as a phase of an earlier era of economic development. The events of the last few months have, of course, wrought a vast improvement in this situation; and every step in our progress toward business recovery will further strengthen the position of the banks. But a full restoration of confidence will require time, and it will require also the best efforts of bankers to re-educate a frightened public to the fact that its money is safer in the banks than it is anywhere else. Only to the extent that the public returns to the banks will the latter be enabled to play their essential part in financing business recovery.

THE PROBLEMS

THE first problem confronting bankers today, therefore, is the restoration of confidence in the banks themselves. The second is the restoration of confidence in the economic future of the United States, and, more specifically, of the confidence of the individual business man in the future possibilities of his own business. This is the pleasing counterpart of the banker's unpopular conservatism in times of business expansion. Just as the banker is the last to succumb to the extravagant delusions of perpetual prosperity, so is he the last to give way to blind despair when adversity overtakes the business world. He stands at a point of vantage from which he can see present events in their true perspective. In this way he attains an emotional stability that is not only one of his chief assets in gaining and holding the respect and confidence of his clients but enables him to perform an invaluable service to the community by helping to correct the alternating excesses of optimism and pessimism that tend to overtake those with a less broad financial vision.

But the bankers of the United States are facing today a problem of more permanent and fundamental nature than that of fostering economic recovery. The events of the last few years have brought into being—or, rather, have crystallized—a demand for sweeping changes in our banking system. Legislation designed to effect such changes has been introduced in Congress, and it may be taken for granted that legislation of some kind will be enacted in the not distant future. It is the duty and the privilege of American bankers to use their influence—and that influence is very great—to see that the changes made are in accord with sound banking principles and with the present needs of the country. It is not necessary at present to discuss the proposed changes in detail, and it is obviously impossible to utter a blanket commendation or a blanket condemnation of those changes as a whole. Some of them are clearly good; some are clearly bad; and others are subject to honest differences of opinion among competent judges. Suffice it to say that the bankers can go far toward determining the nature of the changes that are made by using their united influence at the points where substantial agreement is possible.

IMPROVEMENTS NEEDED

RECENT events have unquestionably exposed weaknesses in our banking system. When we consider the exceptional character of the period through which we have passed, we are justified in congratulating ourselves that the system has functioned as well as it has. Individual bankers, particularly, are to be commended for the wisdom, forebearance, and courage they have shown during one of the most trying episodes in the world's financial history. But when we compare our record with those of other nations that have faced equal or greater difficulties, we are forced to conclude that there is room for great improvement in our banking system. Even more (CONTINUED ON PAGE 59)

The Federal Government's Program of Action

By
HON. OGDEN L. MILLS

"It has been said that the Reconstruction Finance Corporation benefits only the great city banks and other large institutions. The contrary is true. The great majority of banks which have borrowed from the Corporation are located in small towns," Secretary Mills stated before the Los Angeles Convention. The portion of his address describing the activities of the R. F. C. and recent Federal Reserve policy is published here

LIQUIDATION is always characteristic of periods of business readjustment and depression. It serves to eliminate points of weaknesses and maladjustments which inevitably develop in periods of unhealthy expansion.

But there is a point beyond which this process is purely destructive. That point was reached many months ago.

During the two years following the peak reached in the autumn of 1929, loans and investments of member banks declined by about $3,000,000,000. In the short period of nine months which followed the European collapse, they fell by not less than $5,000,000,000. Fear was the impelling force that carried contraction and depression to new depths—fear first as to the soundness of our banks manifested in the hoarding of currency, which buried hundreds of millions of dollars and paralyzed the rest; and fear for the ability of our credit structure to withstand the blows from abroad.

AMPLE CREDIT IS ESSENTIAL

THE effect of extreme liquidation on the business situation is increased by another sort of fear, the fear on the part of the business man that credit facilities which are essential to his operation will not be available. Ample and active credit is essential to the commencement of recovery. When purchasing power has been depleted by declining business and employment, and markets and values have contracted, credit is the primer needed to set the wheels of industry again in motion.

In the autumn of last year, after almost overpowering difficulties attending more than two years of contraction in industry, agriculture and trade, a third fear confronted us—fear for the dollar itself. Germany's credit had collapsed. The impossible had happened. England had gone off the gold standard. By the end of 1931 the gold standard had become inoperative in 18 other countries. In some quarters the belief was frankly expressed that, under the double impact of foreign withdrawals and domestic hoarding, the United States too would be forced to follow England with literally incalculable consequences. Here was a situation that called for prompt, vigorous and decisive action.

We are now in a position to turn to the program itself. It divided itself, broadly speaking, in two main lines of endeavor: first, to underpin the credit structure of the country, and, secondly, to counteract the fearful contraction of credit occasioned by the drain of gold and the hoarding of currency.

The first part of the program was made effective by making available the credit of the Federal Government, through the medium of the Reconstruction Finance Corporation, to all of the great credit-giving institutions of the country, such as insurance companies, joint stock land banks, Federal land banks, intermediate credit banks, agricultural credit associations, building and loan associations, mortgage companies and, above all, to the banks, the progressive failure of which it was imperative to arrest. The organization of the Corporation followed upon that of the National Credit Association, which had borne the first impact of the battle. The magnitude of the task, and the vital need for assistance, is indicated by the following figures:

R. F. C. LOANS

AS of September 1, the Reconstruction Finance Corporation had authorized 7,500 loans to 5,609 organizations, aggregating $1,412,000,000. Of this amount, $824,000,000 was authorized to 4,715 banks and trust companies (including about $32,000,000 to aid in the reorganization or liquidation of 376 closed banks), $80,000,000 to 643 building and loan associations, $72,000,000 to 79 insurance companies, $83,000,000 to 68 mortgage loan companies, $1,361,000 to 10 agricultural credit corporations, $11,000,000 to 17 live-stock credit corporations, nearly $1,500,000 to six joint stock land banks, $29,000,000 to nine Federal land banks, $405,000 to three credit unions, and $243,000,000 to 49 railroads and railroad receivers. Relief loans aggregating $17,000,000 were made to eight states, and loans aggregating $50,000,000 were made under the relief act provision for advances to finance the carrying and orderly marketing of agricultural products. Of the $1,412,000,000 authorized, $1,122,000,000 had actually been disbursed on August 31, of which nearly $150,000,000 had been repaid. In addition to the above, more than 500,000 individual loans to farmers, aggregating nearly $65,000,000, have been made by the Secretary of Agriculture out of the $107,500,000 thus far allocated to him.

It has (CONTINUED ON PAGE 64)

Resolutions Adopted by the Convention

FOR the first time during this long depression we are able to record definite signs of business improvement. In finance the evidence is conclusive that the controlling trends have turned upward. Bank suspensions have sharply decreased. Currency is being taken out of hoarding, and is flowing back into the useful activities of business and banking. The return flow of gold from abroad is evidence of the confidence of the rest of the world in our monetary system. Banks are rapidly paying down their borrowings, and building up ample reserves. Improvement in general business is shown by advancing commodity prices, increasing volumes of industrial production and railroad traffic, and a sharp decrease in commercial insolvencies.

We acknowledge with appreciation and gratitude the signal services of the Federal Reserve System which has met with calm courage the extraordinary demands of this troubled period from which we are gradually emerging. We make record of our high esteem for the invaluable services rendered by the Reconstruction Finance Corporation in affording liquidity during this emergency to resources temporarily disbarred from the ordinary channels of credit accommodation. In recent months hope has dispelled fear throughout the nation, and confidence is replacing doubt. The task that lies ahead is that of fostering the processes of recovery, and of devoting every effort to the lessening of unemployment.

BRANCH BANKING

THE American Bankers Association is designed and administered to give organized representation to the many diverse and at times even conflicting interests involved in the various phases of banking.

For this reason the different divisions have been set up to give opportunity for the study and expression of views and the taking of suitable action regarding problems affecting the functional and charter interests of all types of banks, subject to the direction of the General Convention.

Whenever there arise broad questions of policy the carrying out of which may be beneficial to one and perhaps detrimental to another group of members or

which may involve the statutory state or national rights and privileges of any banks, the Association feels that it should not attempt to commit our membership as a whole to any rigid line of action but should instead refer such questions in each case to the divisions which have been specifically created to specialize in particular aspects of banking operations and policy.

It is recognized that the subject of branch banking has become a question of such a highly controversial nature as between banks operating under various conditions that the Association as a whole feels it should not attempt at this time to formulate a definite attitude aimed to commit all types of bankers on this many-sided question.

We believe, therefore, that any expression and action on branch banking should be left to the specialized consideration of the various divisions.

GUARANTY OF BANK DEPOSITS

GUARANTY of bank deposits carries an idea that naturally appeals to people in general on casual consideration. However, in principle it is unsound and in practice it is unworkable. It has been tried in eight states and it has not only failed in every case but it has resulted in increasing the number of bank failures. Taxing properly managed banks to make up losses of failed banks is not only unfair and unreasonable but it weakens the whole banking structure. Again guaranty of deposits places the incompetent and reckless banker on an equal footing with the able and conservative banker, which encourages bad banking at the expense of sound banking. We are therefore opposed to the passage of any law carrying a guaranty of bank deposits and believe that it is against the interest of the people of the United States to develop any such system.

EXPENSE OF GOVERNMENT

EXCESSIVE governmental borrowing, and excessive taxation by our national, state, and municipal governments constitute a menace to agriculture, industry, trade, and transportation that is almost beyond measure. It is probable that the taxes levied against the people of the United States in 1932 will amount to 30 cents out of every earned dollar. Careful compilations indicate that one person in every ten of our population is on some public payroll. Our national debt has increased by more than 26 per cent since the end of 1930. Great governmental expenditures beyond necessity or desirability have been induced and are being advocated by organized minorities seeking their own selfish advantage. It is not conceivable that these conditions can long continue without leading to progressive disintegration of business, and resulting in tremendous unemployment.

The Association therefore goes on record before the people of this country as insistently demanding the reduction of public expenditures, and as being unalterably opposed to the continuation of the present high rates of taxation, and the progressive piling up of our public debt.

STATE TAXATION OF NATIONAL BANKS

THE American Bankers Association adheres to its view of the necessity of adequate protective provisions in Section 5219 U. S. Revised Statutes to prevent unjust and discriminatory taxation by the states of national banking associations and declares that the bills introduced in Congress at the last session limiting the taxation of national bank shares to (CONTINUED ON PAGE 63)

The Committees and Commissions

for 1932-33

THE following list includes the membership of the various Commissions and Committees of the American Bankers Association (excepting those of the Divisions and Sections) for the coming year under the new administration; the membership of the Federal and State Legislative Councils; members-at-large of the Executive Council; and the Vice-Presidents for territories and in foreign countries:

Five Members-at-Large of Executive Council

Walter S. McLucas, chairman of the board, Commerce Trust Company, Kansas City, Mo.

William F. Morrish, president, Bank of America, National Trust and Savings Association, San Francisco, California.

J. Arthur House, president, Guardian Trust Company, Cleveland, Ohio.

John K. Ottley, president, First National Bank, Atlanta, Ga.

Edmund S. Wolfe, president, First National Bank and Trust Company, Bridgeport, Conn.

Vice-Presidents for Territories

ALASKA: E. A. Rasmusen, president, Bank of Alaska, Skagway.

CANAL ZONE: G. S. Schaeffer, vice-president, Chase National Bank, Cristobal.

HAWAII: C. H. Cooke, president, Bank of Hawaii, Honolulu.

PHILIPPINE ISLANDS: N. E. Mullen, president, Peoples Bank and Trust Company, Manila.

PORTO RICO: To be elected at the next meeting of the Porto Rico Bankers Association.

Vice-Presidents for Foreign Countries

CANADA: J. A. McLeod, general manager, Bank of Nova Scotia, Toronto.

CHINA: Frank J. Raven, president, American Oriental Banking Corporation, Shanghai.

CUBA: Joaquin Gelats, partner, N. Gelats and Company, Havana.

ENGLAND: F. A. Klingsmith, manager, Bankers Trust Company, London.

FRANCE: Parker McComas, vice-president, Bankers Trust Company, Paris.

ISLE OF PINES: John A. Miller, president, National Bank and Trust Company, Nueva Gerona.

MEXICO: R. J. Garcia, president, Banco de Nuevo Leon, Monterrey, Nuevo Leon.

NEWFOUNDLAND: Angus A. Werlich, manager, Bank of Montreal, St. Johns.

PANAMA: Ernesto De La Guardia, president, Banco Nacional, Panama.

Agricultural Commission

H. Lane Young, executive manager, Citizens and Southern National Bank, Atlanta, Georgia, Chairman.

Dan H. Otis, Madison, Wis., Director.

(Term expiring 1933)

Joseph W. Bradley, vice-president, Old National Bank and Union Trust Company, Spokane, Washington.

F. C. Dorsey, vice-president, Liberty Bank and Trust Company, Louisville, Ky.

P. B. Doty, president, First National Bank, Beaumont, Texas.

Wm. K. Payne, chairman of board, Auburn-Cayuga National Bank and Trust Company, Auburn, N. Y.

H. LANE YOUNG

Chairman of the Agricultural Commission. He is executive manager, Citizens and Southern National Bank, Atlanta, Georgia

(Term expiring 1934)

Fred A. Irish, vice-president, First National Bank & Trust Company, Fargo, N. D.

Ben S. Paulen, chairman, First National Bank, Independence, Kans.

A. C. Kingston, vice-president, Citizens National Bank, Stevens Point, Wis.

H. Lane Young, executive manager, Citizens & Southern National Bank, Atlanta, Ga.

(Term expiring 1935)

Chas. M. Smith, president, Marble Savings Bank, Rutland, Vt.

Chas. A. Faircloth, cashier, Passaic National Bank, Passaic, N. J.

E. B. Harshaw, vice-president, Grove City National Bank, Grove City, Pa.

W. T. Daniel, cashier, Bank of Waverly, Waverly, Va.

Associate Members Agricultural Commission

J. E. Huntoon, vice-president, Bank of America, National Trust and Savings Association, Sacramento, Calif.

Frederick P. Champ, president, Cache Valley Banking Company, Logan, Utah.

Advisory Council Agricultural Commission

H. L. Russell, director, Wisconsin Alumni Research Foundation, University of Wisconsin, Madison, Wis.

F. D. Farrell, president, Kansas Agricultural College, Manhattan, Kans.

Bank Management Commission

Arthur B. Taylor, president, Lorain County Savings and Trust Company, Elyria, Ohio, Chairman.

Ronald Ransom, vice-president, Fulton National Bank, Atlanta, Georgia, Vice-Chairman.

Frank W. Simmonds, Deputy Manager, American Bankers Association, New York City, Secretary.

(Term expiring 1933)

Orval W. Adams, vice-president, Utah State National Bank, Salt Lake City, Utah.

Ronald Ransom, vice-president, Fulton National Bank, Atlanta, Ga.

P. D. Houston, chairman of board, American National Bank, Nashville, Tenn.

(Term expiring 1934)

Lawrence W. Eley, vice-president, Security-First National Bank, Los Angeles, Calif.

H. H. Griswold, president, First National Bank and Trust Company, Elmira, N. Y.

E. H. Sensenich, vice-president, United States National Bank, Portland, Oregon.

(Term expiring 1935)

Arch W. Anderson, vice-president, Continental Illinois National Bank and Trust Company, Chicago, Ill.

M. H. Malott, president, Citizens Bank, Abilene, Kans.

Arthur B. Taylor, president, Lorain County Savings and Trust Company, Elyria, Ohio.

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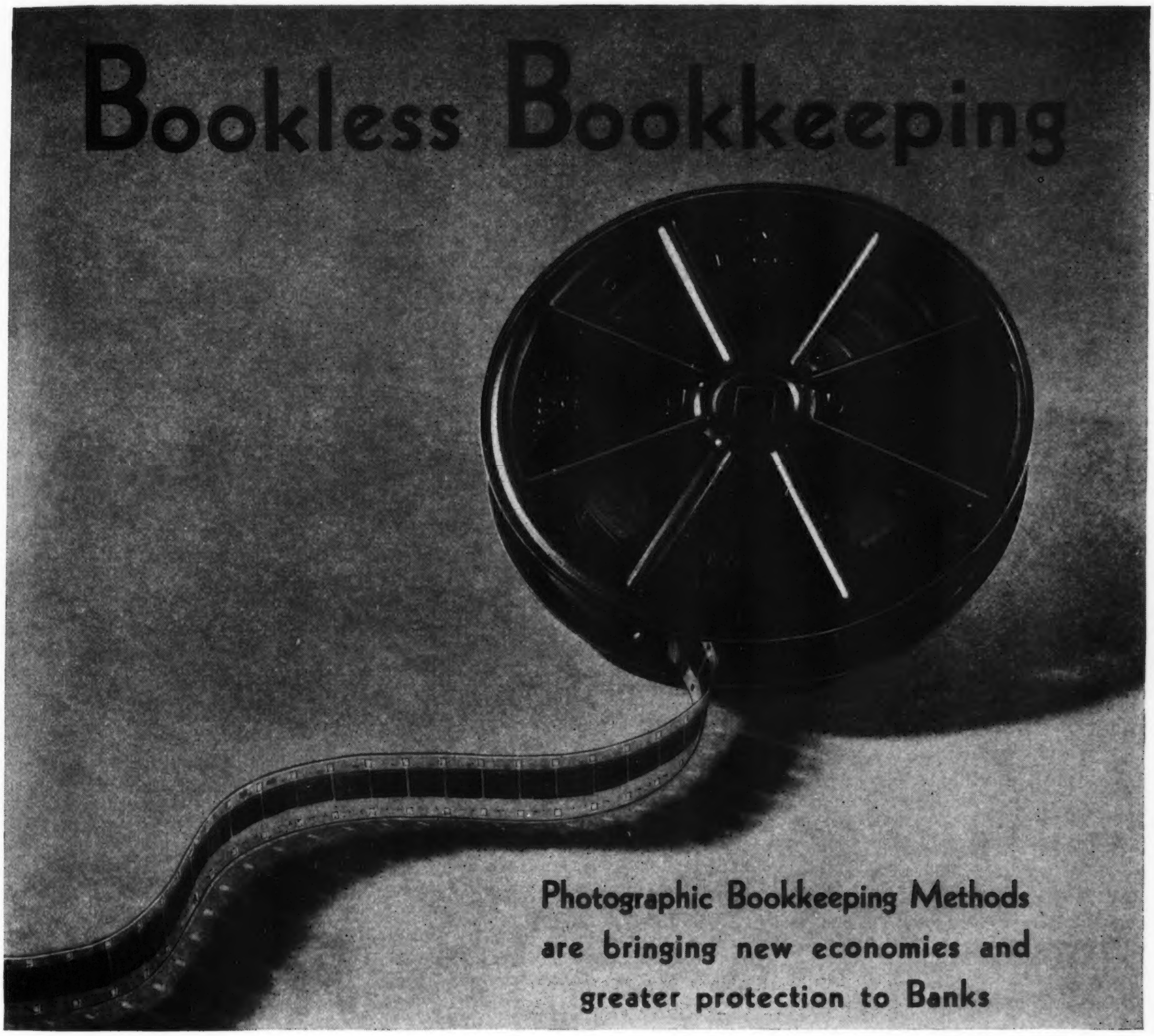
Vice-President, Savings Division: Henry S. Kingman, treasurer, Farmers and Mechanics Savings Bank, Minneapolis, Minn.

Vice-President, State Bank Division: Clyde Hendrix, president, Tennessee Valley Bank, Decatur, Ala.

Vice-President, Trust Division: H. L. Standeven, vice-president, Exchange Trust Company, Tulsa, Oklahoma.

Vice-President, American Institute of Banking: Albert S. Puelicher, vice-president, Marshall and Ilsley Bank, Milwaukee, Wis.

(CONTINUED ON PAGE 44)



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Past Chairman: Fred W. Ellsworth, vice-president, Hibernia Bank and Trust Company, New Orleans, Louisiana.

Commerce and Marine Commission

Fred I. Kent, director, Bankers Trust Company, New York, N. Y., Chairman.

W. Espey Albig, Deputy Manager, American Bankers Association, New York City, Secretary.

(Term expiring 1933)

J. B. Chaffey, vice-president, California Bank, Los Angeles, California.

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Walter S. McLucas, chairman of board, Commerce Trust Company, Kansas City, Mo.

Nathan D. Prince, president, Hartford-Connecticut Trust Company, Hartford, Conn.

Frank O. Watts, chairman, First National Bank, St. Louis, Mo.

(Term expiring 1934)

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Robert F. Maddox, chairman, executive committee, First National Bank, Atlanta, Ga.

Lewis E. Pierson, chairman of board, Irving Trust Company, New York, N. Y.

John R. Washburn, vice-president, Continental Illinois National Bank and Trust Company, Chicago, Ill.

Joseph Wayne, Jr., president, Philadelphia National Bank, Philadelphia, Pa.

(Term expiring 1935)

Robertson Griswold, vice-president, Maryland Trust Company, Baltimore, Md.

Evans Woollen, president, Fletcher Trust Company, Indianapolis, Indiana.

Lewis L. Strauss, member of firm, Kuhn Loeb and Company, New York, N. Y.

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Walter L. Dunham, president, Detroit Savings Bank, Detroit, Mich.

Economic Policy Commission

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Gurden Edwards, New York City, Secretary.

(Term expiring 1933)

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Thomas B. McAdams, executive manager, State-Planters Bank and Trust Company, Richmond, Va.

Max B. Nahm, vice-president, Citizens National Bank, Bowling Green, Ky.

Charles F. Zimmerman, president, First National Bank, Huntingdon, Pa.

(Term expiring 1934)

Leonard P. Ayres, vice-president, Cleveland Trust Company, Cleveland, Ohio.

R. S. Hecht, president, Hibernia Bank and Trust Company, New Orleans, La.

Melvin A. Traylor, president, First National Bank, Chicago, Ill.

W. D. Longyear, vice-president, Security-First National Bank, Los Angeles, Calif.

(Term expiring 1935)

E. W. Decker, president, Northwestern National Bank, Minneapolis, Minn.

Jas. R. Leavell, president, Continental Illinois National Bank and Trust Company, Chicago.

Walter H. Bennett, president, Emigrant Industrial Savings Bank, New York.

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Richard W. Hill, New York City, Secretary.

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O. Howard Wolfe, cashier, Philadelphia National Bank, Philadelphia.

Albert S. Puelicher, vice-president, Marshall and Ilsley Bank, Milwaukee, Wis.

Karl G. Kalde, First National Bank, Council Bluffs, Iowa.

Frank M. Totton, second vice-president, Chase National Bank, New York.

Henry S. Johnson, secretary, South Carolina Bankers Association, Columbia, S. C.

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Francis Marion Law, president, First National Bank, Houston, Texas.

Rudolf S. Hecht, president, Hibernia Bank and Trust Company, New Orleans, La.

P. D. Houston, chairman of board, American National Bank, Nashville, Tenn.

Harry J. Haas, vice-president, First National Bank, Philadelphia, Pa.

J. R. Cain, Jr., vice-president, Omaha National Bank, Omaha, Nebr.

Gilbert L. Daane, president, Grand Rapids Savings Bank, Grand Rapids, Mich.

L. A. Andrew, vice-president, First Bank and Trust Company, Ottumwa, Iowa.

R. M. Sims, vice-president, American Trust Company, San Francisco, Calif.

Frank N. Hall, comptroller, Federal Reserve Bank, St. Louis, Mo.

Wall G. Coapman, secretary, Wisconsin Bankers Association, Milwaukee, Wis.

Walter Tufts, president, Worcester County National Bank, Worcester, Mass.

Heyward E. Boyce, president, Maryland Trust Company, Baltimore, Md.

J. Stewart Baker, vice-chairman of board, Bank of Manhattan Trust Company, New York.

Robert M. Hanes, president, Wachovia Bank and Trust Company, Winston-Salem, N. C.

UNDERWOOD

FRED I. KENT

Chairman of the Commerce and Marine Commission. He is director, Bankers Trust Company, New York

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Frank L. Carson, president, First National Bank, Wichita, Kans.

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Advisory Member: Thomas B. Paton, General Counsel, New York, N. Y.

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Alex P. Reed, vice-president, Fidelity Trust Company, Pittsburgh, Pa.

Levi H. Morris, president, Newton Trust Company, Newton, N. J.

E. W. Stout, president, Fletcher American National Bank, Indianapolis, Ind.

DeWitt E. McKinstry, president, Highland-Quassaick National Bank and Trust Company, Newburgh, New York.

Lane D. Webber, vice-president, First National Trust and Savings Bank, San Diego, Cal.

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Chairman, Federal Legislation, Savings Division, Howard Moran, vice-president, American Security and Trust Company, Washington, D. C.

Chairman, Federal Legislation, State Bank Division, C. J. Kirschner, vice-president, Markle Banking and Trust Company, Hazleton, Pa.

Chairman, Federal Legislation, Trust Division, Edward J. Fox, president, Easton Trust Company, Easton, Pa.

Federal Legislative Council

Robert V. Fleming, president, Riggs National Bank, Washington, D. C., Chairman.

COL. LEONARD AYRES

Chairman of the Economic Policy Commission. He is vice-president, Cleveland Trust Company, Cleveland, Ohio

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STATE CHAIRMEN

ALABAMA: M. A. Vincentelli, president, Alabama National Bank, Montgomery.

ARIZONA: Sylvan C. Ganz, executive vice-president, First National Bank of Arizona, Phoenix.

ARKANSAS: F. W. Niemeyer, president, Bankers Trust Company, Little Rock.

CALIFORNIA: Lane D. Webber, vice-president, First National Trust and Savings Bank, San Diego.

COLORADO: Alonzo Petteys, cashier, Farmers State Bank, Brush.

CONNECTICUT: John B. Byrne, vice-president, Hartford-Connecticut Trust Company, Hartford.

DELAWARE: J. G. Townsend, Jr., president, Baltimore Trust Company, Selbyville.

DISTRICT OF COLUMBIA: Robert V. Fleming, president, Riggs National Bank, Washington.

FLORIDA: R. J. Binnicker, president, First National Bank, Tampa.

GEORGIA: J. Truman Holland, vice-president, Commercial Bank, Thomasville.

IDAHO: O. M. Mackey, cashier, American Bank and Trust Company, Lewiston.

ILLINOIS: W. R. McGaughey, vice-president, Millikin National Bank, Decatur.

INDIANA: E. W. Stout, president, Fletcher American National Bank, Indianapolis.

IOWA: C. E. Beman, vice-president, Mahaska County State Bank, Oskaloosa.

KANSAS: F. J. Miller, president, First National Bank, Ottawa.

KENTUCKY: Lee P. Miller, vice-president, Fidelity and Columbia Trust Company, Louisville.

LOUISIANA: W. P. O'Neal, vice-president, Canal Bank and Trust Company, New Orleans.

MAINE: H. F. Libby, cashier, Pittsfield National Bank, Pittsfield.

MARYLAND: Heyward E. Boyce, president, Maryland Trust Company, Baltimore.

MASSACHUSETTS: Walter Tufts, president, Worcester County National Bank, Worcester.

MICHIGAN: Gilbert L. Daane, president, Grand Rapids Savings Bank, Grand Rapids.

MINNESOTA: C. B. Brombach, assistant cashier, First National Bank, Minneapolis.

MISSISSIPPI: F. W. Foote, president, First National Bank, Hattiesburg.

MISSOURI: Charles B. Mudd, cashier, First National Bank, St. Charles.

MONTANA: E. J. Bowman, president, Daly Bank and Trust Company, Anaconda.

NEBRASKA: James B. Owen, vice-president, Stock Yards National Bank, Omaha.

NEVADA: W. J. Harris, vice-president, First National Bank, Reno.

NEW HAMPSHIRE: John S. Childs, president, First National Bank, Hillsborough.

NEW JERSEY: Levi H. Morris, president, Newton Trust Company, Newton.

NEW MEXICO: E. M. Brickley, cashier, First National Bank, Carrizozo.

NEW YORK: DeWitt E. McKinstry, president, Highland-Quassaick National Bank and Trust Company, Newburgh.

NORTH CAROLINA: Robert M. Hanes, president, Wachovia Bank and Trust Company, Winston-Salem.

NORTH DAKOTA: J. E. Davis, president, Dakota National Bank and Trust Company, Bismarck.

OHIO: R. Q. Baker, chairman of board and executive vice-president, Coshocton National Bank, Coshocton.

OKLAHOMA: F. P. Johnson, president, First National Bank and Trust Company, Oklahoma City.

OREGON: John N. Edlefsen, vice-president, United States National Bank, Portland.

PENNSYLVANIA: Alex P. Reed, vice-president, Fidelity Trust Company, Pittsburgh.

RHODE ISLAND: Arthur L. Perry, president, Washington Trust Company, Westerly.

SOUTH CAROLINA: F. F. Beattie, president, First National Bank, Greenville.

SOUTH DAKOTA: R. E. Driscoll, vice-president, First National Bank, Lead.

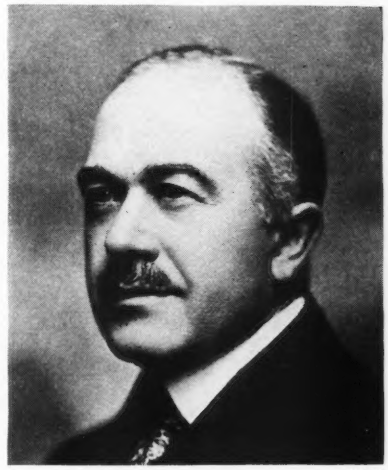
TENNESSEE: Thomas D. Brabson, president, First National Bank, Greeneville.

TEXAS: W. M. Massie, vice-president, Fort Worth National Bank, Fort Worth.

UTAH: H. M. Chamberlain, vice-president, Walker Bank and Trust Company, Salt Lake City.

VERMONT: Guy H. Boyce, vice-president, Proctor Trust Company, Proctor.

VIRGINIA: Alex F. Ryland, vice-president, First and Merchants National Bank, Richmond.



KLEIN

JOHN H. PUELICHER

Chairman of the Public Education Commission. He is president, Marshall and Ilsley Bank, Milwaukee, Wisconsin

•

WASHINGTON: Guy C. Browne, president, Columbia Valley Bank, Wenatchee.

WEST VIRGINIA: Henry B. Lewis, vice-president and secretary, Kanawha Banking and Trust Company, Charleston.

WISCONSIN: M. E. Baumberger, assistant vice-president, First Wisconsin National Bank, Milwaukee.

WYOMING: A. H. Marble, president, Stock Growers National Bank, Cheyenne.

In addition to the names listed above the Federal Legislative Council, as per By-Laws of the Association, is composed of the members of the Committee on Federal Legislation, Presidents and Vice-Presidents of the Divisions and Sections, and the Vice-Presidents of the Association and of the Trust, Savings, National Bank and State Bank Divisions in each state. The By-Laws provide that in each state the elective Executive Council member of the Federal Legislative Council (or if there is no such member, the State Vice-President of the Association) shall be Chairman of a subcommittee to be composed of the members of the Federal Legislative Council in that state and such other members as the State Chairman shall appoint.

Finance Committee

Francis Marion Law, president, First National Bank, Houston, Texas, Chairman.

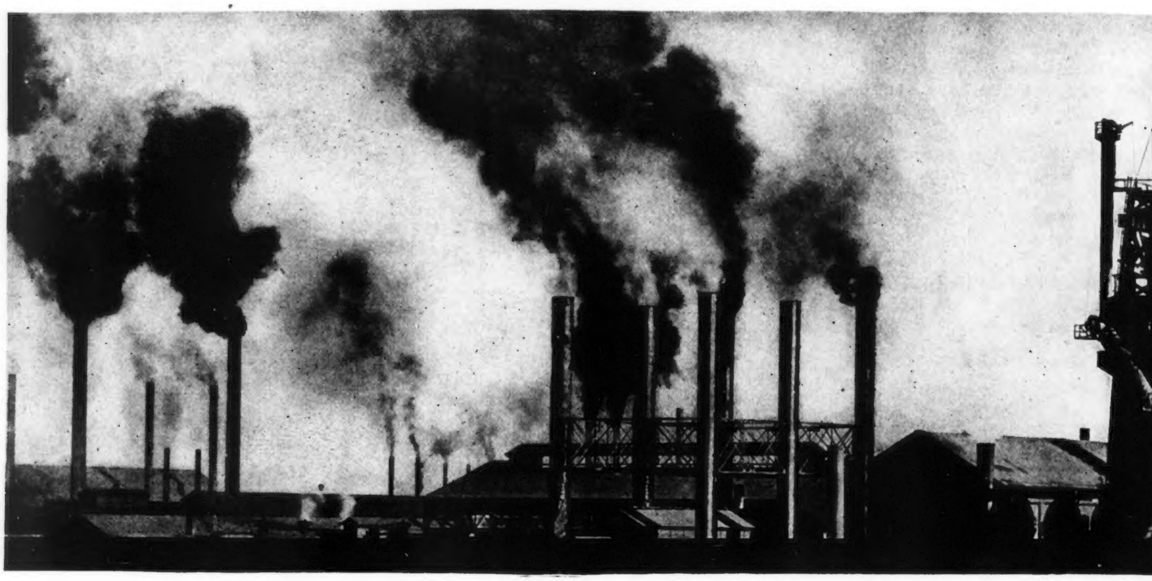
Rudolf S. Hecht, president, Hibernia Bank and Trust Company, New Orleans, La.

P. D. Houston, chairman of board, American National Bank, Nashville, Tenn.

Mark M. Holmes, president, Exchange National Bank, Olean, N. Y.

Harry H. Pond, president, Plainfield Trust Company, Plainfield, N. J.

Oscar L. Cox, vice-president, Bank of America, Na- (CONTINUED ON PAGE 48)



How Trust Shares Helped

Deposited Stocks in Each Unit of
NORTH AMERICAN TRUST SHARES, 1955
MAXIMUM CUMULATION TYPE
(As of October 1, 1932)

CHEMICAL	
E. I. duPont de Nemours & Company	200
Eastman Kodak Company	100
The Procter & Gamble Company	100
Union Carbide & Carbon Corporation	300
ELECTRICAL EQUIPMENT	
General Electric Company	400
Westinghouse Electric & Mfg. Co.	100
STEEL	
United States Steel Corporation	100
FOOD	
The Borden Company	200
Corn Products Refining Company	100
General Foods Corporation	100
National Biscuit Company	200
Standard Brands Incorporated	200
RETAIL MERCHANDISING	
Drug Incorporated	100
Sears, Roebuck & Co.	200
F. W. Woolworth Co.	200
MACHINERY	
American Can Company	100
American Rad. & Stand. Sanitary Corp.	300
Otis Elevator Company	200
FARM MACHINERY	
International Harvester Company	100
TOBACCO	
The American Tobacco Company "B"	100
R. J. Reynolds Tobacco Company "B"	200
AUTOMOBILE	
General Motors Corporation	200
PETROLEUM	
Standard Oil Company (New Jersey)	300
RAILROADS	
The Atchison, Topeka & Santa Fe Ry. Co.	100
The New York Central Railroad Co.	100
The Pennsylvania Railroad Company	100
Union Pacific Railroad Company	100
UTILITIES	
American Telephone & Telegraph Co.	100
Columbia Gas & Electric Corporation	400
Consolidated Gas Company of New York	200
The North American Company	220
Pacific Gas & Electric Company	200
Public Service Corporation of New Jersey	100
The United Gas Improvement Company	300

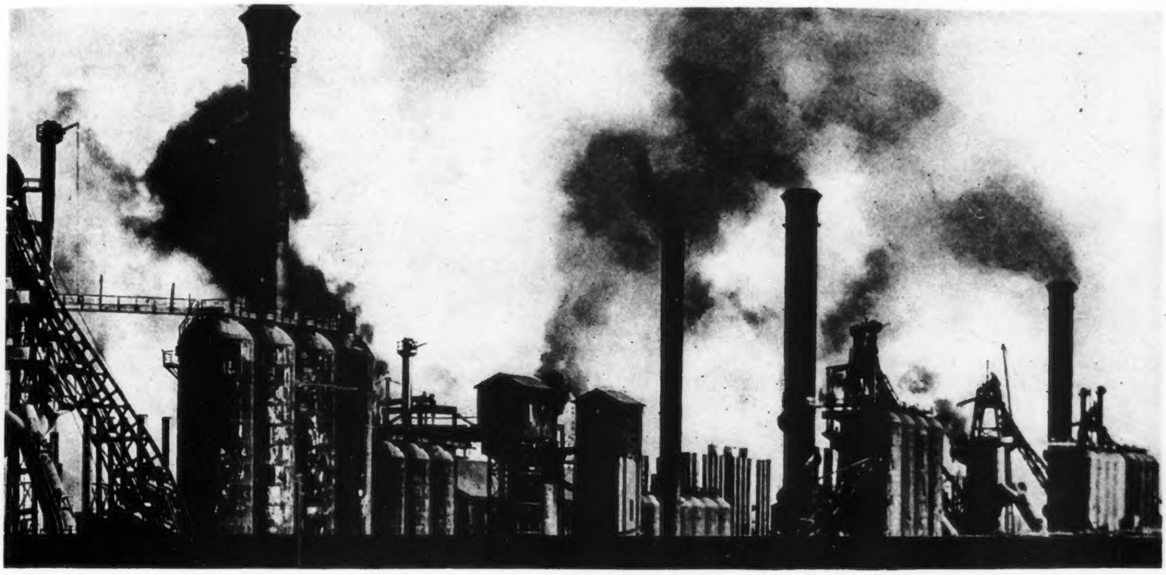
This program is also available in Maximum Distribution Type, NORTH AMERICAN TRUST SHARES, 1956.

THIS is a true story. The city is well known. It is a large industrial town, heavily dependent upon one industry. Its citizens gain their living from that industry.

Ambitious to share in the industry's profits as well as its wages, in 1927, 1928 and 1929, they were buying stock at high prices and were asking their banks to carry the stock for them.

A short time before the crash, the head of a prominent investment house in this city went from bank to bank, telling the story of NORTH AMERICAN TRUST SHARES to each officer. Then he went to the customers of the banks—in many instances with the bank's cooperation. He pointed out the advantages of diversification, of transferring their funds from one industry to many, from one common stock to many of the best common stocks. His suggestions, fortunately, were followed and an interest in shares of many strong companies was substituted as collateral for stocks of the one industry.

Then came the crash. The city's manufacturing was soon almost paralyzed. The city's industry was very badly hurt and its stock declined drastically in value, lost marketability. Its value fell so far that it was no longer sufficient for collateral.



Save One City's Banks

Loans secured by the more stable collateral of NORTH AMERICAN TRUST SHARES, however, did not cause the degree of embarrassment to borrowers or to the banks that the single stock collateral loans occasioned. The contrast was impressive.

Today the banks in this city say that if they had not held the sound diversified collateral provided by NORTH AMERICAN TRUST SHARES they would have been seriously injured and they would have been forced to call a much larger proportion of their loans at a dangerous hour.

Thus NORTH AMERICAN TRUST SHARES helped to save the credit of this community.

How the 34 stocks in the NORTH AMERICAN TRUST SHARES *portfolio were selected is described in a booklet "Building a Portfolio," which will be sent free to you upon request.*

The offering price of NORTH AMERICAN TRUST SHARES *is based upon and varies with the actual New York Stock Exchange 100-share lot transaction prices of the underlying stocks during market hours. (Full details of method of calculating offering price are contained in the Offering Circular.)*

1955 Maximum Cumulation Type

North American TRUST SHARES

1956 Maximum Distribution Type

DISTRIBUTORS GROUP, INCORPORATED

Owned by a Nationwide Group of Investment Houses

63 WALL STREET, NEW YORK

CHICAGO BOSTON PITTSBURGH PHILADELPHIA LOS ANGELES NEW ORLEANS

NORTH AMERICAN TRUST SHARES PROVIDE:

1 **BALANCED DOLLAR DIVERSIFICATION**—Each Trust Share represents an ownership in *all* of the 34 corporations listed on the opposite page—leading companies in 12 outstanding American industries.

2 **MAINTENANCE OF INVESTMENT QUALITY**—A Research Department is constantly engaged in studies of the conditions affecting the investment standing of the stocks underlying NORTH AMERICAN TRUST SHARES, 1955 and 1956. If these investigations indicate that for good investment reasons, and solely for the purpose of protecting and preserving the quality of the investment, all or any part of any stock should be eliminated, such elimination may be made.

3 **NO SUBSTITUTION**—The net proceeds from the sale of any stock which may be eliminated are returned to the Trust Shareholder. No discretionary substitution is permitted.

4 **THE CONVENIENCE AND SAFETY OF TRUST ADMINISTRATION**—One of the world's largest trust companies, as Trustee, administers the investment for Trust Shareholders, handling all details connected with the receipt and distribution of dividends, the compounding of interest monthly on all moneys of the Trust in its possession, etc. The Trustee's continuing fees for the entire life of the Trust are provided for in advance.

5 **MARKETABILITY**—Trust Shares are bearer certificates which may be converted into cash or the underlying stocks at any time through the Trustee.

Committees and Commissions

(CONTINUED FROM PAGE 45)

tional Trust and Savings Association, San Francisco, Calif.

Edw. A. Seiter, vice-president, Fifth Third Union Trust Company, Cincinnati, O.

Frank F. Brooks, president, First National Bank, Pittsburgh, Pa.

C. Sumner James, executive vice-president, Citizens National Trust and Savings Bank, Los Angeles, Calif.

Foundation Trustees

John H. Puelicher, president, Marshall and Ilsley Bank, Milwaukee, Wis., Chairman.

W. Espey Albig, Deputy Manager, A. B. A., New York City, Secretary.

Melvin A. Traylor, president, First National Bank, Chicago, Ill.

Leonard P. Ayres, vice-president, Cleveland Trust Company, Cleveland, Ohio.

John G. Lonsdale, president, Mercantile-Commerce Bank and Trust Company, St. Louis, Missouri.

Lewis E. Pierson, chairman of board, Irving Trust Company, New York City.

R. C. Stephenson, vice-president, St. Joseph County Savings Bank, South Bend, Ind.

EX-OFFICIO

President, First and Second Vice-presidents and Executive Manager, American Bankers Association, and Educational Director of the American Institute of Banking.

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James E. Baum, Deputy Manager, A. B. A., New York City, Secretary.

Chas. H. Ayers, vice-president, First Wayne National Bank, Detroit, Mich.

Cooper D. Winn, insurance manager, Guaranty Trust Co., New York, N. Y.

Frank K. Houston, first vice-president, Chemical Bank and Trust Company, New York, N. Y.

Reuben A. Lewis, Jr., second vice-president, Continental Illinois National Bank and Trust Company, Chicago, Ill.

Advisory Member: Thomas B. Paton, General Counsel, 22 East 40th St., New York, N. Y.

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Harris C. Kirk, vice-president, American Trust Company, San Francisco, Calif.

John B. Byrne, vice-president, Hartford-Connecticut Trust Company, Hartford, Conn.

E. M. Brickley, cashier, First National Bank, Carrizozo, New Mexico.

H. B. Humason, vice-president, American National Bank, St. Paul, Minn.

William P. O'Neal, vice-president, Canal Bank and Trust Company, New Orleans, La.

James B. Owen, vice-president, Stock Yards National Bank, Omaha, Nebr.

A. D. Simpson, vice-president, National Bank of Commerce, Houston, Tex.

Archie D. Swift, president, Central-Penn National Bank, Philadelphia, Pa.

Fred A. Cuscaden, vice-president, Northern Trust Company Bank, Chicago, Ill.

R. W. Holt, president, Bank of Craig, Craig, Mo.

R. Q. Baker, chairman of the board and executive vice-president, Coshocton National Bank, Coshocton, Ohio.

Protective Committee

Names of this committee are not made public.

Special Committee on Section 5219 U. S. Revised Statutes

Charles P. Blinn, Jr., vice-president, Philadelphia National Bank, Philadelphia, Pa., Chairman.

Thornton Cooke, president, Columbia National Bank, Kansas City, Mo.

Walter S. Bucklin, president, National Shawmut Bank, Boston, Mass.

Edward Elliott, vice-president, Security-First National Bank, Los Angeles, Calif.

Walter Kasten, president, First Wisconsin National Bank, Milwaukee, Wis.

R. R. Mattison, president, National Bank of Tacoma, Tacoma, Washington.

Charles A. Burns, assistant vice-president, First National Bank, Chicago, Ill.

Charles S. McCain, chairman of the board, Chase National Bank, New York, N. Y.

Charles H. Mylander, vice-president, Huntington National Bank, Columbus, Ohio.

James Ringold, president, United States National Bank, Denver, Colo.

Lyman E. Wakefield, president, First National Bank, Minneapolis, Minn.

W. R. Williams, vice-president and trust officer, Bank of America, National Trust and Savings Association, Los Angeles, Calif.

R. E. Harding, president, Fort Worth National Bank, Fort Worth, Texas.

Committee on State Legislation

E. J. Bowman, president, Daly Bank and Trust Company, Anaconda, Mont., Chairman.

Herbert H. Smock, vice-president, Security-First National Bank of Los Angeles, Los Angeles, Calif.

Paul S. Abt, vice-president, Southern Illinois National Bank, East St. Louis, Ill.

Frank B. Bernard, president, Merchants National Bank, Muncie, Ind.

F. B. Brady, vice-president, Commerce Trust Company, Kansas City, Mo.

Harley F. Drollinger, vice-president, M and T Trust Company, Buffalo, N. Y.

D. P. Richardson, president, Bank of Union, Union, Okla.

C. M. Bartholomew, vice-president and cashier, Austin National Bank, Austin, Tex.

Ira W. Barnes, president, Ninth Bank and Trust Company, Philadelphia.

William J. Couse, president, Asbury Park National Bank and Trust Company, Asbury Park, N. J.

A. C. Kingston, vice-president, Citizens National Bank, Stevens Point, Wis.

Matt Weightman, Jr., vice-president, Fidelity Savings State Bank, Topeka, Kans.

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Chairman State Legislation, National Bank Division, M. E. Holderness, vice-president, First National Bank, St. Louis, Mo.

Chairman State Legislation, Savings Division, Henry S. Kingman, treasurer, Farmers and Mechanics Savings Bank, Minneapolis, Minn.

Chairman State Legislation, State Bank Division, Fred B. Brady, vice-president, Commerce Trust Company, Kansas City, Mo.

Chairman State Legislation, Trust Division, Edward J. Fox, president, Easton Trust Company, Easton, Pa.

State Legislative Council

E. J. Bowman, president, Daly Bank and Trust Company, Anaconda, Montana, Chairman.

STATE CHAIRMEN

ALABAMA: M. A. Vincentelli, president, Alabama National Bank, Montgomery.

ARIZONA: Sylvan C. Ganz, executive vice-president, First National Bank of Arizona, Phoenix.

ARKANSAS: F. W. Niemeyer, president, Bankers Trust Company, Little Rock.

CALIFORNIA: Herbert H. Smock, vice-president, Security-First National Bank, Los Angeles.

COLORADO: Alonzo Petteys, cashier, Farmers State Bank, Brush.

CONNECTICUT: John B. Byrne, vice-president, Hartford-Connecticut Trust Company, Hartford.

DELAWARE: J. G. Townsend, Jr., president, Baltimore Trust Company, Selbyville.

DISTRICT OF COLUMBIA: R. V. Fleming, president, Riggs National Bank, Washington.

FLORIDA: R. J. Binnicker, president, First National Bank, Tampa.

GEORGIA: J. Truman Holland, vice-president, Commercial Bank, Thomasville.

IDAHO: O. M. Mackey, cashier, American Bank and Trust Company, Lewiston.

ILLINOIS: Paul S. Abt, vice-president, Southern Illinois National Bank, East St. Louis.

INDIANA: Frank B. Bernard, president, Merchants National Bank, Muncie.

IOWA: C. C. Jacobsen, vice-president, Security National Bank, Sioux City.

KANSAS: Matt Weightman, Jr., vice-president, Fidelity Savings State Bank, Topeka.

KENTUCKY: Lee P. Miller, vice-president, Fidelity and Columbia Trust Company, Louisville.

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MAINE: H. F. Libby, cashier, Pittsfield National Bank, Pittsfield.

MARYLAND: Heyward E. Boyce, president, Maryland Trust Company, Baltimore.

MASSACHUSETTS: Edwin R. Rooney, vice-president, First National Bank, Boston.

MICHIGAN: Henry M. Zimmerman, chairman of the board, First National Bank, Pontiac.

MINNESOTA: (CONTINUED ON PAGE 52)

The Condition of BUSINESS

ANY realistic survey of business during the past few weeks must take account of the fact that the period under review was a most critical period in an unusually important Presidential campaign. Business statisticians like to point out that, taken by and large, election years are not much different, and no doubt there is a great deal of truth in this as a generalization. The coming election, however, differs from the normal election in that it comes at a time when the country is just emerging from the worst depression in its history, and when the issues at stake are regarded on that account as much more vital than under stable conditions.

While the markets have given a poor account of themselves recently, the financial situation has continued to improve and the general trend of business has been steadily, although somewhat unevenly, toward higher levels. As we enter November we are passing the crest of normal seasonal industrial expansion, and it is only natural to expect a decreased rate of production and distribution as the year-end approaches. Viewing the third quarter and the beginning of the final quarter from this vantage point, however, it is possible to conclude that, just as three months ago we witnessed the breaking of the chain of financial deflation, so in this latter period we witnessed the definite end of business deflation. This does not mean that the level of business activity in the last few weeks has been high as compared with normal standards, because obviously it has not. It means that the continuity of the decline has been interrupted, and that for the first time in four years we have seen at least a moderate fall business recovery. Here are a few statistical evidences.

ENCOURAGING SIGNS

1. MOST of the important general indices of business rose for two months in succession, in August and September—the first time that this has occurred since the spring of 1931 and the first time in the fall since 1928. The Standard Statistics index rose from its depression low of 56.5, touched in July, to 58.6 in August and 62.6 in September—a rise, all told, of approximately 10 per cent. The more volatile indices, such as the financial-industrial index of the New York Herald Tribune, have been rising steadily since the second week in July.

2. The Bureau of Labor Statistics showed in August the first monthly rise in employment since the depression began. More recently in New York State, the industrial commissioner reported the second successive monthly rise in employment during September, when the number of workers in manufacturing industries increased 6.3 per cent and payrolls 9.3 per cent. The rise in employment in New York State carried the labor index from its July low of 52.4 to 57.8 in September.

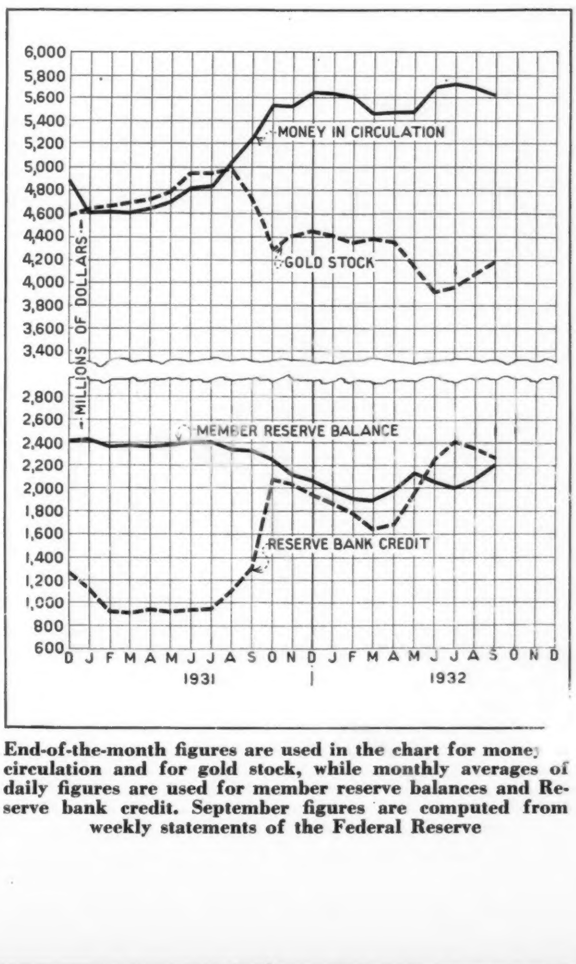
3. Steel ingot production, which amounted to 37,502 tons daily in September, showed in that month its first upturn since May; while unfilled orders of the United States Steel Corporation showed the second successive rise in the same period following a steady decline covering the previous 16 months.

4. The weekly rate of steel production as estimated by the Iron Age rose from a low of 13 per cent capacity in mid-summer to 19½ per cent the middle of October, an expansion of 50 per cent.

5. Car-loadings increased from a low weekly rate of 489,000 in July to 622,000 in the first week of last month, a rise of 23 per cent.

6. Electric power production, which touched 1,415,000,000 kilowatt hours in the week ended August 13, increased to 1,646,000,000 kilowatt hours the first week of October, an expansion of 16 per cent.

These examples of industrial recovery are not offered because they are especially sensational, but because they are the indices most generally regarded as standard. In the somewhat uneven improvement recently seen, the lighter industries—as is traditional in the early



End-of-the-month figures are used in the chart for money in circulation and for gold stock, while monthly averages of daily figures are used for member reserve balances and Reserve bank credit. September figures are computed from weekly statements of the Federal Reserve

stages of recovery—have led the advance. The first impetus for the upward move was provided by the exhaustion of stocks of apparel and other goods of everyday necessity, which in periods of depression are used up faster than they are replaced.

Supporting the fall rise in business has been a steadily improving banking and financial position. Bank failures have fallen to quite nominal figures, and the daily records of the Treasury have shown recently a declining demand for Reconstruction Finance Corporation funds. Looking in another direction, loans on life insurance policies were reported to have declined in September to about 66 per cent of the peak reached in June.

FEDERAL RESERVE

STRESSING the banking improvement have been the rising gold stocks and the declining currency circulation and member bank borrowings at the Federal Reserve. Since the outflow of gold to Europe was halted in mid-June, the reverse-flow of metal has added approximately \$300,000,000 to our stocks. From the recent peak of \$5,775,000,000 on July 6, currency outstanding had fallen by the end of September to \$5,605,000,000, a decline of \$170,000,000.

One of the most striking changes in the banking picture, however, has been that provided by rediscounts, or member bank borrowings, at the Federal Reserve. Following the collapse of the gold standard in England a year ago, when gold started moving out of this country at a rapid rate, rediscounts then amounting to but \$328,000,000, rose in startling fashion, until by December 30 they had climbed to \$1,024,000,000. The enactment of the Glass-Steagall bill, which made it unnecessary for member banks to borrow to replace gold losses, was the signal for the beginning of the liquidation of this unhealthy situation, and between February 3 and October 5 rediscounts had fallen from \$855,000,000 to \$333,000,000.

Committees and Commissions

(CONTINUED FROM PAGE 48)

H. B. Humason, vice-president, American National Bank, St. Paul.

MISSISSIPPI: F. W. Foote, president, First National Bank, Hattiesburg.

MISSOURI: F. B. Brady, vice-president, Commerce Trust Company, Kansas City.

MONTANA: E. J. Bowman, president, Daly Bank and Trust Company, Anaconda.

NEBRASKA: Arthur Jensen, vice-president, Nebraska National Bank, Minden.

NEVADA: W. J. Harris, vice-president, First National Bank, Reno.

NEW HAMPSHIRE: John S. Childs, president, First National Bank, Hillsborough.

NEW JERSEY: William J. Couse, president, Asbury Park National Bank and Trust Company, Asbury Park.

NEW MEXICO: E. M. Brickley, cashier, First National Bank, Carrizozo.

NEW YORK: Harley F. Drollinger, vice-president, M and T Trust Company, Buffalo.

NORTH CAROLINA: Robert M. Hanes, president, Wachovia Bank and Trust Company, Winston-Salem.

NORTH DAKOTA: J. E. Davis, president, Dakota National Bank and Trust Company, Bismarck.

OHIO: George H. Dunn, vice-chairman of the board, First Central Trust Company, Akron.

OKLAHOMA: D. P. Richardson, president, Bank of Union, Union.

OREGON: John N. Edlefsen, vice-president, United States National Bank, Portland.

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VERMONT: Guy H. Boyce, vice-president, Proctor Trust Company, Proctor.

VIRGINIA: Alex F. Ryland, vice-president, First and Merchants National Bank, Richmond.

WASHINGTON: Guy C. Browne, president, Columbia Valley Bank, Wenatchee.

WEST VIRGINIA: Henry B. Lewis, vice-president and secretary, Kanawha Banking and Trust Company, Charleston.

WISCONSIN: A. C. Kingston, vice-president, Citizens National Bank, Stevens Point.

WYOMING: A. H. Marble, president, Stock Growers National Bank, Cheyenne.

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Committee on Taxation

W. K. Payne, chairman of the board, Auburn-Cayuga National Bank and Trust Company, Auburn, New York, Chairman.

STATE CHAIRMEN

ALABAMA: M. A. Vincentelli, president, Alabama National Bank, Montgomery.

ARIZONA: Sylvan C. Ganz, Executive vice-president, First National Bank of Arizona, Phoenix.

ARKANSAS: F. W. Niemeyer, president, Bankers Trust Company, Little Rock.

CALIFORNIA: H. H. Smock, vice-president, Security-First National Bank, Los Angeles.

COLORADO: Alonzo Petteys, cashier, Farmers State Bank, Brush.

CONNECTICUT: John B. Byrne, vice-president, Hartford-Connecticut Trust Company, Hartford.

DELAWARE: J. G. Townsend, Jr., president, Baltimore Trust Company, Selbyville.

DISTRICT OF COLUMBIA: Robert V. Fleming, president, Riggs National Bank, Washington.

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IDAHO: O. M. Mackey, cashier, American Bank and Trust Company, Lewiston.

ILLINOIS: Paul S. Abt, vice-president, Southern Illinois National Bank, East St. Louis.

INDIANA: Frank B. Bernard, president,

(CONTINUED ON PAGE 58)

A Good Record for Banking

(CONTINUED FROM PAGE 38)

stocks which showed a drop of \$40,000,000,000 from September, 1929, to January, 1931, and continued their depreciation during 1932 until only recently.

It will be noted that the losses on stocks and bonds have been taken on the whole and I believe the proper comparison should be individual investors with individual depositors. It is safe to assume that the individual investors with less expertly selected and less conservatively restricted issues took a loss larger than the average.

Do not these figures clearly indicate that, on the basis of actual comparisons, money in bank during the depression had a loss experience that was far less abnormal than that of investors in stocks and bonds?

I realize and appreciate that it is difficult to so convince those who have been embarrassed or have suffered loss through bank failures, but these are the facts and, knowing the facts, we are able to draw our conclusions.

There is another angle that has not received due public understanding—that is, the cause and responsibility of bank

failures. The idea has become widely prevalent that the blame rests wholly with banks and bankers and their faulty management.

I will say without reservation that no class of business or business men in the nation today represents more capable management, sounder financial conditions and a greater capacity for constructive public service than do the present 19,500 institutions that make up our banking structure.

Nor will I admit that the banks that have passed out of the picture through failure constitute the reflection on banking as a whole that it has been made to appear.

Who is to blame if government officials in both the state and national systems, for over a period of more than 20 years, permitted the organization of great numbers of banks with insufficient capital or in places where they never could be successful? In many instances in all parts of the country this took place over the protest of the well established banks. But what happened was this: the applicant for a charter would get the most influential political sponsorship and the protest of the well established banks was made to appear as selfishness on their part. However, we all know now that except in rare cases they acted for the best interests of the public. Before the depression began in 1929, failures of the class of banks I have in mind were raising the mortality ratio to a point that was causing serious public distrust against sound banking. It is true beyond question that if a great number of uneconomic banking units had not been allowed to enter the field, banking failures would have been localized and would never have become a national problem.

CHANGED RURAL CONDITIONS

THIS is not to say that all failures are attributable to these conditions. Some rural communities that once were good bank locations have so changed as to be no longer able to support banks.

It certainly was not wholly the fault of the banker if customers to whom he had safely loaned money year after year suddenly failed to meet their notes owing to the ruination that had overtaken their own businesses. Nor was he to blame for the fact that the basic securities of the nation's industries, municipal governments, even of the national Government, suddenly suffered such market depreciations that he could not realize from them the deposits entrusted to them rapidly enough to meet the hysterical demands for cash from his rumor-scared depositors.

Correspondence

Interest on Deposits

THE JOURNAL published in September an article by Frank W. Simmonds, Deputy Manager of the American Bankers Association and Secretary of the Bank Management Commission, summarizing the results of an extensive survey made by the Commission on "How Much Do Banks Pay for Deposits?" This article has aroused widespread attention.

To the JOURNAL:

I have been in the banking business for 27 years and this is the first time I have ever seen consolidated into one document such complete and informative data on the subject of interest rates on balances. I am very familiar with the prevailing rates in the Middle and Southern States, and so am in position to testify as to the accuracy of your data.

F. J. PARO,
Vice-President.

Mercantile-Commerce Bank & Trust Company,
St. Louis, Mo.

And a Louisiana banker contributes the following in regard to interest on public deposits:

To the JOURNAL:

I have been doing a good deal of work in the way of considering interest on public deposits. We had a fiscal agency law in this state, which provided that banks had to pay 3 per cent or over and had to lend the state at the same rate they paid on deposits. I was chairman of the committee of our Louisiana Bankers Association which just put through a fiscal agency bill providing that the banks are to pay on deposits from 1 per cent to 3 per cent, the rate to be fixed bi-annually in advance of qualifying by the State Board of Liquidation within the above limits, and that loans shall be at such a rate as may be agreed upon between the banks and the state, not to exceed 6 per cent, and that in figuring interest on deposits, float and 20 per cent of the balance comprising the reserve required by Louisiana laws may be deducted from the interest calculation. Similar provisions were incorporated in the Act regarding deposits of all the political subdivisions of the state, so that from an interest point of view the banks of Louisiana are in much better shape in dealing with the public bodies than they were before.

JAMES C. BOLTON,
Vice-President.

Rapides Bank & Trust Company,
Alexandria, La.

Politically Alert

BANKERS who have read the JOURNAL through the years may recall "The Chills and Thrills of a Much Robbed Banker", which was published in February, 1927. It recounted the experiences of a banker who had been the victim of no less than four bank robberies. The writer of that article we introduce again, this time as the president of the Arkansas Bankers Association. He comments here on banking and politics, and writes from experience in both.

To the JOURNAL:

I was impressed with the letter of (former) President Harry J. Haas calling upon bankers to become politically alert. I am State Senator and have made the same appeal to bankers in our state affairs. We have a state legislative session coming in January. I have urged them to send the most dependable men possible to the session. Bankers are entirely too indifferent as to those who represent them. As the only banker in the last Senate, I was compelled to spend long hours in pleading and presenting every known argument to prevent dangerous laws from being proposed and passed.

I wish to renew our past acquaintance and express my appreciation of the splendid strides our JOURNAL has made in the past few years. It has become "human" and interesting.

STORM O. WHALEY,
President.

Arkansas Bankers Association.

Trade Acceptances

THE JOURNAL acknowledges the following letter and reproduces on this page the trade acceptance form furnished by Mr. Dever, as now authorized by the American Acceptance Council.

To the JOURNAL:

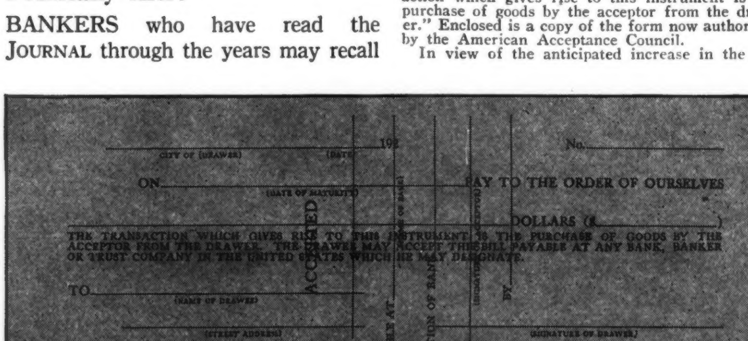
In illustrating Mr. W. S. Cousins' article, "Trade Acceptances Simplify Credit Problems", a form was shown titled "form of trade acceptance authorized by the American Acceptance Council". This form contained the statement, "the obligation of the acceptor hereof arises out of the purchase of goods from the drawer".

The Supreme Courts of Florida and Texas have held that such a statement renders a trade acceptance non-negotiable. In recognition of these decisions and the precedents which they might set for the courts of other states, the Federal Reserve Board and the American Acceptance Council recommended that the standard form be changed by eliminating therefrom the clause giving rise to this doubt of negotiability and by inserting in lieu thereof a provision to read as follows, "The transaction which gives rise to this instrument is the purchase of goods by the acceptor from the drawer." Enclosed is a copy of the form now authorized by the American Acceptance Council.

In view of the anticipated increase in the use of trade acceptances, I feel that the JOURNAL should publish a facsimile of the current form.

CHARLES D. J. DEVER.

51 E. 17th St.,
Brooklyn, N. Y.



192

No.

(CITY OF DRAWER) (DATE)

ON (DATE OF MATURITY) PAY TO THE ORDER OF OURSELVES

DOLLARS ($)

THE TRANSACTION WHICH GIVES RISE TO THIS INSTRUMENT IS THE PURCHASE OF GOODS BY THE ACCEPTOR FROM THE DRAWER. THE DRAWEE MAY ACCEPT THIS BILL PAYABLE AT ANY BANK, BANKER OR TRUST COMPANY IN THE UNITED STATES WHICH HE MAY DESIGNATE.

TO (NAME OF DRAWEE)

(STREET ADDRESS)

(CITY OF DRAWEE)

ACCEPTED

DATE

PAYABLE AT

LOCATION OF BANK

BY

(SIGNATURE OF DRAWER)

BY

The trade acceptance form authorized by the American Acceptance Council

The Check Tax

IN September the JOURNAL published an article giving a picture of banking opinion of the new tax in operation, and composed of direct quotations from bankers obtained through letters and personal interviews. The president of a firm of manufacturing stationers now comes forward with a letter regarding the effect on an industry engaged in supplying the banks. He contributes a non-banking point of view which serves to broaden the discussion.

To the JOURNAL:

I have read with interest the article "The Check Tax—What Do Bankers Think of It?" and if I am correct in my deduction, there's a statement made that the number of checks cleared is approximately 20 per cent less than it was prior to the time that the check tax was imposed.

While the question of the effect of the check tax on business has not been discussed, as it naturally would not be in this article, may I call your attention to the fact that an industry such as the lithographing and printing industry, which furnishes checks to banks and individuals, is suffering a 20 per cent loss in its business.

A 20 per cent loss in any business is a serious matter, but when a loss of this kind can be traced to a direct cause, as it can be in this instance, we do not hesitate to state that the check tax is not only a nuisance tax but a tax that creates a loss to an industry that such industry should not be called upon to assume. I would like very much to see this phase of the check tax discussed in the JOURNAL.

H. W. ROGERS,
President.

Wilbur & Hastings,
Manufacturing Stationers,
New York City.

When opinions were requested for the preparation of the check tax article, the JOURNAL assured bankers that their names would not be published. Of course, not all individual opinions could be quoted because of lack of space, and others were received too late for use. Of the latter, two bankers emphasized effects that should not be overlooked. Their unsigned comments follow.

To the JOURNAL:

We have had hundreds of accounts that have closed and this is very unfortunate for the philosophy of thrift, as we have found that approximately one-fourth of our checking account customers also keep savings accounts. Whenever anything discourages people in dealing with the banks, a blow has been dealt to the economic structure of the nation. Surely this is the case with the tax on checks. It is a nuisance and should be repealed.

A LOUISIANA BANKER.

To the JOURNAL:

In the opinion of the writer the most disagreeable thing in connection with the administration of the tax is the placing of the collecting of it entirely upon the banks. While we are now computing the tax by spreading the work throughout a major portion of our entire force without additional expense, we believe that if a single group were put to work doing nothing but computing this tax, it would cost us between $500 and $700 a month.

One of the most perplexing features is where a customer has a number of payments to make in our office at one time—for instance, paying monthly interest on a note, paying his monthly interest bill on items in transit, his monthly bill for postage and insurance, taking up returned checks and buying exchange—he will cover all these transactions with one check. Obviously, in an institution of this size, all these items are in different departments and it has greatly increased our inter-departmental accounting. The above illustration is not an isolated one, but something that is happening a dozen times every day.

Thus far we have noticed no appreciable de-

crease in the number of checks cleared on us or paid over the counter. Of course, our bank and the other larger banks in St. Louis have had numerous requests from business houses to permit them to draw their checks on the treasurer and make them clearable through their local bank. However, by agreement with members of the St. Louis Clearing House Association, items of this nature will not be permitted as clearable matter for the time being, or until we can get a definite ruling from the Treasury Department in connection with this particular sort of instrument.

A MISSOURI BANKER.

Emphasis on Profits

A WASHINGTON, D. C. banker writes to say that more emphasis should be placed on making each account profitable. He sees a tendency to be satisfied by getting back merely the cost of handling an account.

To the JOURNAL:

I have read a number of articles in the JOURNAL with regard to measured service charges, and all these articles lay stress upon the idea that a bank should obtain a sufficient amount from these charges to pay the costs of handling items. I have understood that a survey of accounts by the Association indicates some such figures as these: 56 per cent of accounts are unprofitable; these account for 40 per cent of the activity and have about 2 per cent of the total deposits in them. Assuming that banks put in measured charges and receive back cost, what business can remain healthy and conduct one-half its business merely at cost? Why should these accounts not show a profit?

There are thousands of persons who cannot afford to carry large enough balances to give the bank cost or a profit on the accounts, but these persons wish to save time, trouble and risk by paying with checks, and frequently the balances carried do not amount to enough to pay even the cost. If these people want to draw their checks, why not let them do it, but get the cost plus a reasonable profit? It is very nice to get the proper balances, but if the people cannot give them, there is no reason why the banks should not care for their business if a profit can be obtained.

It seems to me that too much stress is put upon "being a banker" and not enough attention given to making profits.

C. F. BURTON,
VICE-PRESIDENT.

Washington Mechanics Savings Bank,
Washington, D. C.

Trust Agreements

THIS Detroit banker's inquiry refers to the trust series by Gilbert T. Stephenson, vice-president of the Equitable Trust Company of Wilmington, Delaware.

To the JOURNAL:

Have you any copies of agreements between corporate trustees and individual concerns, covering funds established for stabilization of employment, provisions for retirement, reward of merit, etc.? If you have no extra copies of such agreements on hand, can you refer me direct to the trust companies involved?

I was very much interested in reading your recent series of articles.

JULIUS C. PETER,
Vice-President.

Detroit Trust Company,
Detroit, Mich.

The wide interest in these articles proves that trust men are not overlooking opportunities for new business.

Expressive

E. M. BRICKLEY, A. B. A. Executive Council member for New Mexico, has been identified with banking association work in his state for a great many years, and New Mexico is a state with 100 per cent membership in the state association and in the American Bankers Association.

To the JOURNAL:

I believe that every bank should buy the JOURNAL for its directors—if necessary, charging the item to expense. The information with regard to the Association will spread, and bankers will learn how to make use of the Association. This will assist present membership and will rapidly gather in those who are out. Every banker should constitute himself a committee of ONE to give the JOURNAL a wide distribution and to get into our membership every bank in the United States. *It can be done.*

E. M. BRICKLEY,
Cashier.

First National Bank,
Carrizozo, N. M.

Approval of the JOURNAL in its present form has come from many sources, banking and non-banking, and from many places.

To the JOURNAL:

Because I have been an editor of periodicals from time to time, I know how difficult it is to get an estimate of subscribers' reaction. I, therefore, want to tell you what a fine JOURNAL you are publishing. Of necessity, I must read a large number of periodicals in the banking and related fields. It is a real effort to read many of them. It is a joy to open yours.

In format, layout, typography and quality of articles, its standard is high. You are to be especially complimented on your ingenious and attractive covers.

Have no fear, these compliments are no prelude to a request for a favor.

HOMER N. CALVER,
Secretary-Treasurer.

N. Y. State League of
Savings & Loan Associations,
Albany, N. Y.

And this from abroad:

To the JOURNAL:

This office subscribes to your JOURNAL and the wealth of information it always contains has helped those of our officers who read English to become acquainted with a variety of economic and political subjects that they would otherwise have ignored. We would consider our business education incomplete were we deprived of the privilege of reading it.

G. A. BOYD,
Assistant Manager.

Credit Guadeloupeen, S. A.,
Pointe-a-Pitre, Guadeloupe.

Germany's Dollar Debts

(CONTINUED FROM PAGE 19)

ing of the Papen plan on Germany's indebtedness is obvious. The plan is a proof that all stories of permanent, irremediable ruin are officially discredited. Herr von Papen assumes and predicts that Reich, state, municipal, banking, and industrial finance will be flourishing within a couple of years. If this expectation is correct, why—merely because of passing difficulties—should American banks further reduce their interest charges on short-term credits to Germany, and why should American bondholders sacrifice anything at all? Why not "wait and see?"

IF THE PLAN IS RIGHT—

THE objection will be raised that the "transfer question" is the real difficulty against the continued service of Germany's foreign debts. But of that question too much has been heard. Ability to transfer every dollar due would not bring one dollar to American creditors and bondholders if the German debtor corporations were internally insolvent. Before the German debtor buys a dollar from the Reichsbank he must first have the equivalent 4 marks in native currency. Primarily, therefore, the debts question is: can the Reich, states, municipalities, banks, and industrial corporations put up the cash in German marks; and are they, all or any of them, hopelessly insolvent? The Papen plan answers the latter question with an emphatic "No." If the public budgets can be balanced after giving a dole of $550,000,000, state insolvency cannot be pretended. And, correspondingly, the $550,000,000 dole improves the finances of the debtor private corporations. If the plan is right, no German public, or (with possible individual exceptions) private, borrower should default on debts because of internal financial difficulties.

Only when that fact is established does the "transfer question" come on the scene. The transfer question lies in the possible inability of the Reichsbank to sell dollars or to export gold for the service of the debts. Today the Reichsbank's gold and exchange reserves are a mere $250,000,000 as against $650,000,000 before the July, 1931, crisis. But this depletion is exclusively a crisis phenomenon, the result of the headlong withdrawal of foreign short-term credits. In normal times there was no German transfer question. In the first years after the currency stabilization of 1924, transfer was facilitated by the inflow of new foreign credits. When later the inflow ceased, transfer was made possible by the automatic creation of export surpluses. Between 1927 and 1931 Germany witnessed the miracle of a change-over from an import surplus of $800,000,000 to an export surplus of $750,000,000. In 1931, as the lately issued official balance of payments shows, the export surplus plus receipts from shipping supplied sufficient exchange for the transfer of all debt interest and amortization and for half a year's reparations, and even after that a balance of $160,000,000 remained in Germany's favor. Had the short-term credits not been withdrawn, Germany so far from losing gold would have gained it.

But what of the future? The answer is that the export surplus has indeed declined this year, but that it may increase again. The popular argument that it cannot increase because of foreign measures against import from Germany calls for severe investigation. Also between 1927 and 1931 foreign tariffs were increased and import-restriction measures were taken; but this did not prevent the conversion of the German import surplus of $800,000,000 into an export surplus of $750,000,000. Explanation is that German import-restriction was as drastic and as effective as foreign restriction.

General von Schleicher, army minister in the von Papen cabinet

GERMAN IMPORT DUTIES

GERMANY imposed on American wheat an import duty of nearly 400 per cent of the price of wheat in Chicago; wheat import practically ceased, and this year Germany is exporting wheat. In September this year numerous import duty rates were increased by between 100 and 800 per cent. Today German duties on American typewriters are between 1,000 and 2,000 per cent higher than before the war. New import-restriction, by way of rationing, is part of Chancellor von Papen's program. It is, therefore, not certain that export surpluses will dwindle to the point of compelling suspension of bond service transfers. Of late the Reichsbank's reserves have ceased to shrink and have even increased a little; and in a recent speech Reichsbank President Luther pointed to this increase as a very hopeful sign.

But in no case would transfer difficulties justify an unconditional reduction of interest on the dollar bonds. If transfer becomes impossible, there remains the resource of payment in stable German currency for investment within Germany. This would be unsatisfactory but it would be better than nothing; and as long as the German public and private debtor corporations remain internally solvent it will be possible. The Papen plan is an implicit declaration of solvency.

The New Real Estate Appraisal Institute

THE National Association of Real Estate Boards brought into being in July the American Institute of Real Estate Appraisers, with headquarters in Chicago. This is a strictly professional body, patterned after the American Society of Civil Engineers, the American Institute of Architects, the American Institute of Accountants, and similar organizations.

One hundred twenty-one appraisers in the United States qualified as "organization members" and the names of 45 more have been submitted for election.

Sound appraisals, being the basis of bond issues in which realty is involved, make this new Institute of special interest to bankers, and many men in the appraisal and trust divisions of banks will probably qualify either for full membership or for associate membership in order to keep in touch with the advances being made in appraising. Certificates of election are issued to members, who are authorized to use the title M.A.I. (Member of the Appraisal Institute). A quarterly journal carries papers and discussions to both classes of membership.

The appraisal division of the National Association of Real Estate Boards has been preparing for the organization of the Institute for several years by encouraging local boards to conduct educational courses in appraising. These are patterned somewhat along the lines of the courses provided by the American Institute of Banking.—By W. S. Guilford, California National Bank, Sacramento, Calif.

Instalment Credit

(CONTINUED FROM PAGE 20)

month. The figures cover the same stores and the same periods as in the preceding paragraphs. In the case of monthly charge accounts, the percentage collected declined to 38.1 in 1931 from 39.9 in 1930. The instalment collection percentage monthly declined to 13.8 in 1931 from 14.3 in 1930. The case for instalment sales is more favorable when the volumes of the two kinds of credit are considered.

The average bad debt loss on charge account sales of 282 reporting stores in 1931 was 0.9 per cent, compared with 0.7 per cent in 1930, based on total credit sales. Based on total sales the averages are 0.44 per cent in 1931 and 0.35 per cent in 1930. Average bad debt losses for instalment sales, based on the total credit sales of 121 stores, amounted to 4.1 per cent in 1931 and 2.9 per cent in 1930. Based on total sales, 1931 averaged 0.5 per cent and 1930 0.4 per cent.

It has often been said by critics of the instalment system that such credit is far too extensively used in the purchase of goods for immediate consumption.

Seventy-nine furniture stores show instalment buying accounting for 62.4 per cent in 1931 against 60.1 per cent in 1930. On the other hand, in 56 jewelry stores instalment credit accounted for 19.0 per cent of sales in 1931 against 17.9 per cent in 1930. These were the widest fluctuations reported in seven different retail lines—department stores, furniture, jewelry, men's clothing, shoes, women's specialties and electrical appliances.

One source of evidence indicates that, while the total amount of bills and accounts purchased by them decreased 20 per cent in 1930, net profits were 9 per cent less. A middle western bank states that, although instalment credit business has declined considerably, earnings records compare favorably with those in other lines.

A New England bank believes that as instalment selling undoubtedly contributed appreciably to prolong and intensify the period of prosperity, so it is probable that it tends to accentuate and prolong the period of depression. On the other hand, this bank suggests that a more liberal extension of instalment credit during the final stages of a depression might hasten the period of recovery.

Committees

(CONTINUED FROM PAGE 52)

Merchants National Bank, Muncie.

IOWA: C. C. Jacobsen, vice-president, Security National Bank, Sioux City.

KANSAS: W. A. Hayes, president, Farmers and Merchants State Bank, LaCrosse.

KENTUCKY: Lee P. Miller, vice-president, Fidelity and Columbia Trust Company, Louisville.

LOUISIANA: W. P. O'Neal, vice-president, Canal Bank and Trust Company, New Orleans.

MAINE: H. F. Libby, cashier, Pittsfield National Bank, Pittsfield.

MARYLAND: Heyward E. Boyce, president, Maryland Trust Company, Baltimore.

MASSACHUSETTS: Edwin R. Rooney, vice-president, First National Bank, Boston.

MICHIGAN: Henry M. Zimmerman, chairman of the board, First National Bank, Pontiac.

MINNESOTA: H. B. Humason, vice-president, American National Bank, St. Paul.

MISSISSIPPI: F. W. Foote, president, First National Bank, Hattiesburg.

MISSOURI: R. W. Holt, president, Bank of Craig, Craig.

MONTANA: E. J. Bowman, president, Daly Bank and Trust Company, Anaconda.

NEBRASKA: Arthur Jensen, vice-president, Nebraska National Bank, Minden.

NEVADA: W. J. Harris, vice-president, First National Bank, Reno.

NEW HAMPSHIRE: John S. Childs, president, First National Bank, Hillsborough.

NEW JERSEY: William J. Couse, president, Asbury Park National Bank and Trust Company, Asbury Park.

NEW MEXICO: E. M. Brickley, cashier, First National Bank, Carrizozo.

NEW YORK: William K. Payne, chairman of the board, Auburn-Cayuga National Bank and Trust Company, Auburn.

NORTH CAROLINA: Robert M. Hanes, president, Wachovia Bank and Trust Company, Winston-Salem.

NORTH DAKOTA: J. E. Davis, president, Dakota National Bank and Trust Company, Bismarck.

OHIO: George H. Dunn, vice-chairman of the board, First Central Trust Company, Akron.

OKLAHOMA: D. P. Richardson, president, Bank of Union, Union.

OREGON: John N. Edlefsen, vice-president, United States National Bank, Portland.

PENNSYLVANIA: H. B. McDowell, vice-president, McDowell National Bank, Sharon.

RHODE ISLAND: Arthur L. Perry, president, Washington Trust Company, Westerly.

SOUTH CAROLINA: F. F. Beattie, president, First National Bank, Greenville.

SOUTH DAKOTA: R. E. Driscoll, vice-president, First National Bank, Lead.

TENNESSEE: Thomas D. Brabson, president, First National Bank, Greeneville.

TEXAS: A. D. Simpson, vice-president, National Bank of Commerce, Houston.

UTAH: H. M. Chamberlain, vice-president, Walker Bank and Trust Company, Salt Lake City.

VERMONT: Guy H. Boyce, vice-president, Proctor Trust Company, Proctor.

VIRGINIA: Alex F. Ryland, vice-president, First and Merchants National Bank, Richmond.

WASHINGTON: Guy C. Browne, president, Columbia Valley Bank, Wenatchee.

WEST VIRGINIA: Henry B. Lewis, vice-president and secretary, Kanawha Banking and Trust Company, Charleston.

WISCONSIN: A. C. Kingston, vice-president, Citizens National Bank, Stevens Point.

WYOMING: A. H. Marble, president, Stock Growers National Bank, Cheyenne.

Behind the Bond News

(CONTINUED FROM PAGE 5)

began, three representative long-term issues according to Federal Reserve computations had an average yield of 3.60 per cent. Now from May, 1927, to July, 1928, the System conducted what was up to that time its major essay in the open market through the medium of Government securities. From May 14, 1927, until December 17 of that year it purchased $385,000,000 of Treasury issues, its total holdings increasing from $257,000,000 to $642,000,000. Then in January, 1928, the Federal Reserve reversed its market operations and began to sell, and by May 19 of that year its portfolio was back to $260,000,000, or approximately the level at which the policy began a year earlier.

It is of interest to note that from January to May, 1928, while this liquidation of securities was going on, the average open market yield of long-term Government obligations showed no net change from the 3.35 per cent level. During the same period, other open market rates firmed up considerably, prime commercial paper rising from 4 to 4½ per cent, prime 90-day bank bills from 3⅜ to 3⅞-4⅛ per cent, time loans from 4¼-4½ per cent to 5-5½ per cent, and three to six months Treasury issues from 3.31 to 3.90 per cent. Thus we see neither tightening money nor liquidation by the Federal Reserve having any pertinent effect on the yield of long Government securities.

It is not contended, of course, that a decrease in the Federal Reserve's portfolio has little effect on short-term Governments. The short securities, however, are in a class by themselves, and fluctuations in them are less significant to holders because of the early maturity dates, providing for redemption at par.

We have seen that the yield on long-term Government securities showed no net variation over a five-months period when the System was liquidating $382,000,000 of its holdings. The average yield of the long-term Government issues in May, 1928, was 3.35 per cent. During last August, the last month for which Federal Reserve figures are available, the yield of Treasury bonds ranged downward from 3.59 to 3.56 per cent, or nearly ¼ per cent more than the May, 1928, yield. In January of this year the yield averaged 4.27 per cent, the high point of the depression. The yield would not have risen so high then but for the enormous stresses to which the banking structure was being subjected and to the fears that Congress would not cope adequately with the deficit. When business begins to revive, those factors will not be operative.

These figures tend to show that in more normal times the credit of the Treasury is rated higher than it now is, so that when the Federal Reserve begins to let its portfolio run off—that is, when the upturn in trade is clearly apparent—the public should be in a mood to absorb more Government securities with at least no weakening in the price. There are other very important factors which should tend to stimulate the demand for such securities as the Federal Reserve may care to sell. These are the return of hoarded currency and further receipts of gold.

It will doubtless prove to be the case that any substantial reduction in hoarded currency and business improvement will go hand-in-hand. As business gets better, depositor confidence will tend to be restored.

Post-Election Problems

(CONTINUED FROM PAGE 12)

the President. A President might be able to give a certain amount of informal leadership; but the thing that is done about prohibition will be determined, in the first instance, by Congress and Congress alone, and will depend mainly upon the relative numbers of "dry" and "wet" Congressmen—and the degrees of their dryness or wetness—elected November 8.

One would have said a few months ago that the outcome of the election would make quite a difference about Government in business. Specifically, it would have been said a few months ago that retention of the Republicans in power would mean declination of the Government to operate Muscle Shoals, while triumph of the Democrats would mean fairly prompt Government operation of Muscle Shoals. This may still be true. Almost certainly it is still true that election of the Republicans would postpone or defeat Government operation. The same opposition the Republicans have given to this departure in

the past would continue. Governor Roosevelt, in later speeches of his campaign, has seemed to be less devoted to Government operation than his earlier utterances suggested. Nevertheless it seems probable, in view of the alliance between the Democratic candidate and the outstanding advocate of Government operation of Muscle Shoals, Senator George W. Norris of Nebraska, that Democratic triumph would probably be followed fairly soon by Government operation of Muscle Shoals.

Nothing of this, however, will take place before March 4. This, like all changes of Government policy that are dependent on the election, will wait until after the inauguration of the new President, if it should be a new President. In other words the present Government policies will continue until March 4. If the Republican candidate is reelected, those policies will continue still farther. If the Democratic candidate is elected there will be changes.

United Action for the Future

(CONTINUED FROM PAGE 39)

damaging than the history of the last three years, perhaps, is that of the ten years preceding. In no year since 1920 has the number of bank failures in this country fallen below 250, and in only one year since 1923 has it fallen below 500. This heavy mortality occurred during a period in which this country was generally regarded as enjoying the greatest prosperity in its history.

When we consider this situation, we come face to face with the fundamental problem confronting the bankers of America. Our banks can and must be made safer. What does this mean to the individual banker? It means, first, that he must exert himself to the utmost to see that his own bank is conducted along sound lines. The vast majority of bankers are doing that already, and with increasing success as their experience and background become broader. But beyond this, it means that the individual banker must unite with the other members of his profession to throw their combined influence into the scales on the side of a stronger banking system. To do this, he must take the broadest possible view of his professional function, of his place in the economic world. In some cases, he must allow considerations of immediate personal advantage to be overbalanced by regard for the general welfare. He must also adopt an attitude of willing compromise in the interests of united action.

In facing the future, the bankers of this country can find abundant ground for pride in the fact that the greatest of all financial crises has failed to shake the foundations of the American banking system. The worst of that crisis seems to have passed, and the improvement that has occurred in the last few months bids fair to continue into the future. But plenty of difficulties still lie ahead. There is wreckage to be swept away, and there is new building to be done. The road back to prosperity is a long, uphill trail. There will be setbacks and discouragements; and, when the objective is reached, prosperity will bring new problems to test wisdom and patience. But bankers know that the ends to be gained are worth the effort and that the endless task of shaping the financial destinies of the nation is at once an arduous duty and a high privilege. And the richness of their opportunity gives assurance that earnest endeavor will be crowned with success.

CANADIAN investments and practices and the Canadian security market are fully discussed in "Investment", by W. A. McKague (Ryerson Press, Toronto).

Small Loans

(CONTINUED FROM PAGE 21)

vious five years. The depression of 1920-21 indicated, however, that the average loan returns to normal as soon as business gains its balance—influenced, perhaps, by the borrowing by persons in the higher income brackets.

Delinquency, to quote one banker, "is astoundingly low when the state of business is considered". The average delinquency percentages based on outstanding loans of 76 banks are: for 1929, 2.47 per cent; 1930, 2.92 per cent; 1931, 3.41 per cent; 1932 (to June 30), 4.10 per cent. Even these percentages can not be considered as frozen, for in many instances the banks are accepting regular deposits less than those originally agreed upon, and the difference is reported as delinquency. Accounts in process of adjustment are also included.

Operating costs are very generally higher. More careful investigation of applicants, decreased turnover, more expense in making collections—all have contributed. One bank has found its cost of investigation tripled, while poor collections have at least doubled their cost. Telephone calls, for example, have increased in one case by half.

On the other hand, some banks have taken advantage of this period to trim the costs of most departments to offset or more than offset the necessary increases in a few. One bank reports a decrease of 16 per cent in operating costs for the first six months of this year as compared with last. And in at least one instance, that of a southern bank, the increase in investigation and collection costs has resulted in the best conditioned loan portfolio in several years.

Some effort is being expended to increase the volume of loans through new business plans—instalment sales, doctor-dentist plans, and the like, with automobiles, for example, as security.

The profits of industrial banks are holding up somewhat better than the profits of other banks during this period. However, a decline in gross profits has resulted in an entirely disproportionate decrease in net income. A 28 or even 40 per cent reduction in profits is not unusual. A thriving small loan business is obviously dependent on volume.

"Tell the Story of Banking—"

(CONTINUED FROM PAGE 24)

stores, burlap, creosote products, chemical industry, cottonseed oil, transportation facilities, power farming, warehousing, port facilities, aviation, etc., etc.

Naturally, the purpose behind this campaign which will keep on running until the subjects give out, is the education of key people regarding the advantages of New Orleans in agricultural and industrial development. Needless to say, the only benefit that the bank can hope to obtain from this series is the natural addition to its business, which will follow the increase in local agriculture and industry. This bank has also used similar subjects in a campaign of information about New Orleans, published in a selected list of financial and banking papers.

The question has been raised as to just what form of advertising, if any, banks should employ to assist in hurrying along the reconstruction period. Some authorities are advocating the preaching of the principles of sound economics; others maintain that banks, as they put it, should lay all the cards on the table and call a spade a spade by answering in toto all criticisms and attacks made by irresponsible or misinformed near-economists. Still others are of the opinion that the logical, sane program is to continue the normal advertising without any marked change either in style or copy. And my judgment is that this third suggestion is perhaps the wisest one.

If bankers today will but maintain their courage, continue advertising and

business building appropriations at normal figures, talk to the public in language that can be understood, tell the story of banking and of business and of industry and of commerce unselfishly and continuously, it is my judgment that with this sort of a sane, sensible program conducted by all the 18,000 solid banks that have carried on throughout this entire depression, we shall have an early return of a higher and finer degree of courage and faith and confidence on the part of the bank customer than has ever before existed.

Profit-Sharing Trusts

(CONTINUED FROM PAGE 17)

part of his interest during his service with the company, but the board of trustees, with the consent of the board of directors, may lend him 80 per cent of the value of his interest as of the end of the last six-months' period at five per cent interest. So long as he is a borrower, he does not receive any portion contributed to the fund by the company. A contributor may, with the approval of the board of trustees, cease to contribute to the fund for not more than three months during any one year without forfeiting his rights.

There is a provision for the amendment of the plan with the approval of 51 per cent of the contributors, and for termination of the plan by action of the board of directors of the company with ample protection to the existing contributors.

This is a rather stringent profit-sharing trust in that it is compulsory; but it does provide a very effective way for the employees gradually to acquire stock interest in the company. This plan has been in force since July 2, 1928. So, the first five-year period dating from December 31, 1928, will be up on December 31, 1933.

In 1913 President Eliot of Harvard, who was one of America's frankest and friendliest critics of industrial relations, published what he described as one successful profit-sharing plan. (See "Charles W. Eliot, The Man and His Belief," by William Allen Nielson, Harper and Brothers, 1926, vol. I, pp. 317-34.) The plan described by President Eliot lacks only the element of trusteeship to make what would seem to be an ideal profit-sharing plan.

The following is a bare outline of the plan described and recommended by President Eliot:

In January of each year a preliminary list of candidates for a share of the profits is made up by the company. Each candidate must at that time have been in the employment of the company at least one year. The candidate must thereafter remain in the employment of the company until March 1 of the following year. This means that each participant in the profit-sharing must have been in the employment of the company at least 26 months.

As the next step after making up the preliminary list, the board of directors determines that a certain percentage of the profits of the company for the ensuing year shall be distributed among candidates who have qualified and remained in the employment of the company until March 1 of the following year. The board announces to the employees that *a* percentage but not *what* percentage of the profits of the company shall be distributed among the eligibles.

Not every employee who qualifies as a candidate for a share by having been in the employment of the company for the 12 months qualifies also as an eligible, for he may disqualify himself or be disqualified during the ensuing year or the two months thereafter. That is to say, he may become sick or incapacitated and leave, or he may be unfaithful, or he may be discharged. The board of directors of the company does have some discretion as to allowances in the case of death and sickness. There is no

inducement to the company to let out or discharge employees, for the reduction in the number of employees means no saving to the company but only a larger *per capita* share to the eligibles. The company protects itself against the possibility of the force being so reduced as to give the eligibles too large a share in the profits, by providing that the profits shall not in any one year exceed 20 per cent of the wages of the employee.

The plan had been in operation for 13 years when President Eliot described it, during which time the annual payments out of profits to the eligibles among the employees had varied from seven and a fraction to 18.4 per cent, and over the period had averaged 12.36 per cent of their wages.

From the standpoint of the company several splendid results had come from the plan. One of them was that there had been a very noticeable decrease in wastage throughout the plant. Another was that the employees had not hesitated about doing particularly disagreeable jobs that were essential to turning out the product promptly and economically. Another was that those who qualified as candidates for profit-sharing exercised a wholesome, persuasive influence over those who had not qualified by length of service to become candidates. The candidates for profit-sharing were actuated to practice and to insist upon economy, promptness and high quality of production by the same motive of self-interest as actuated the stockholders, directors and officers of the company. They knew that they were to be sharers in every dollar of profit made by the company, and that every economy and every increase in sales price of the product by reason of excellence of quality inured to their benefit.

The only amendment of this plan that might be suggested would be that a local trust institution be made trustee to receive and to hold and temporarily to invest the profits accumulating throughout the year and to distribute them upon the order of the company in accordance with the terms of the plan. The introduction of the trustee in this as in the other types of industrial trusts would give the employees added assurance that the fund for distribution would be entirely free and independent of the vicissitudes of the company and that it would be handled as an independent fund by an impartial and financially responsible institution which made a business of handling such trusts.

Congressional Budget-Pruning

(CONTINUED FROM PAGE 27)

time limitation of three months is imposed on the Congress to which the task is assigned. A single senator, filibustering against a single economy, could delay the whole program for days; a small group could wreck it completely.

Yet, the supply bills must be passed or government at Washington stops—which, of course, is unthinkable. So, if the present Congress should fail to pass even a single supply bill before adjournment on March 4, the incoming President would have no choice but to call speedily for a special session to pass the vital legislation.

That, it would appear at the moment, is the likely development.

By linking the $500,000,000 economy program with the supply bills for next year, the President seemingly has made a move that will throw the whole program of shrinking the Government into the lap of the next Administration, whether his own or that of his opponent. Yet, in the present state of Government finances, the President hardly had any choice of action. The need for further cuts is imperative; they cannot be postponed if the Treasury is to escape another huge deficit.

Resolutions Adopted by the Los Angeles Convention

(CONTINUED FROM PAGE 41)

the rate upon other moneyed capital used or employed in the business of banking do not afford the necessary protection. Such bills would enable all states to separate bank shares from other property and place banks in a tax class by themselves, which would result in inequality of the tax burden and induce undercapitalization and insufficiency of surplus. This very result can be observed where bank shares have been taxed at full general property rates on full book value assessments, while other property has in fact, though without warrant of law, been assessed on much lower bases. The undercapitalization and unwise distribution of profits that have followed, in order to escape such discriminatory taxation, have been a contributing cause, and sometimes the chief cause, in a great many bank failures of recent years. Especially do we condemn the suggestion, indicated by the resolution adopted by the Association of States on National Bank Taxation at Columbus, that banks be taxed on their gross assets, that is, their notes, bonds, cash and reserve accounts, which would penalize banks for every deposit received and make it impossible to conduct the banking business.

The Association approves the work of its Special Committee on Section 5219 and ratifies its action heretofore taken with respect to proposed legislation in Congress relating to state taxation of national banks. The Association continues to oppose any and all measures which, in the judgment of said Special Committee, do not afford adequate protection to national banks and will favor only such measures calculated to assist the states in their taxation of such associations, as will, in the judgment of its said Committee, retain in said Section 5219, reasonable and adequate protective provisions against unjust and discriminatory taxation.

APPRECIATION

THE Association takes this means of expressing its appreciation of the splendid work done by President Haas during his administration. He has been a tireless worker in carrying out the program of the organization. His zeal and loyalty have been a source of inspiration to officials in every division and section of the Association.

THANKS

THIS Association extends its thanks to the bankers, hotels, press, ladies and general public of the City of Los Angeles for the abundant hospitality extended to the delegates and the members of their families.

CONVENTION CALENDAR

(State Associations)

Nov. 3-4	**Nebraska Bankers Association, Omaha, Neb.**

A. B. A. MEETINGS

Nov. 17-18	**8th Mid-Continent Trust Conference, Milwaukee.**

1933 CONVENTIONS

May 16-17	**Missouri Bankers Association.**
May 23-24	**Oklahoma Bankers Association, Oklahoma City.**
June 1-2	**South Dakota Bankers Association, Mitchell.**
June 5-6	**Illinois Bankers Association, Chicago.**
June 12-16	**A.I.B. Convention, Chicago.**
June 19-21	**Iowa Bankers Association.**
June 19-24	**National Association of Credit Men, Milwaukee.**
June 20-22	**Wisconsin Bankers Association, Green Lake, Wis.**
No Date	**California Bankers Association, Pasadena.**
No Date	**Kansas Bankers Association, Salina.**

Date of Issue	Average Yield*	Per Cent Defaulting	Number of Issues**
Before 1900	5.94%	14.3	70
1900–1913	6.16	14.5	419
1914–1919	6.05	10.1	206
1920–1922	7.53	18.6	263
1923–1924	8.01	18.4	637
1925–1926	8.80	21.6	371
1927–1928	9.02	31.1	1118
1929	9.10	31.1	267
1930–1931	7.43	11.9	496
No Information	6.15	22.0	551
Total			4398

*Excluding defaulting issues. **As of December 22, 1931.

These figures, shown graphically in the chart on page 22, were compiled from the Fitch Bond Record

4,398 Bond Issues

(CONTINUED FROM PAGE 22)

on which this chart is based are also given in a table appearing here.

From these figures and the chart, it is seen that the bonds issued in the years 1927, 1928 and 1929 made particularly bad showings, for over 30 per cent went into default, and due to a sharp decline in price the average yield rose to over 9 per cent. On the other hand, the bonds issued prior to 1920 showed an average of less than 15 per cent in default and an average yield only slightly above 6 per cent. The period from 1920 to 1926 may be regarded as the transition period from carefully issued bonds to those which were less conservatively floated.

LOW vs. HIGH GRADE BONDS

ANOTHER important lesson to be derived from the study of the bond market during the depression has been the relatively greater stability of high-grade bonds. While, on the one hand, low grade bonds declined to the lowest level in any depression since 1857, high-grade bonds on the other hand held their price much better and the average was maintained at a level well above that of the depression of 1920. In other words, high grade bonds proved their worth as a secondary reserve for banks needing liquid assets in a period of emergency such as we have recently witnessed.

The realization of this uncertainty in the bond market has already led to marked changes in bond policy. For one, many bankers will carry in the future a smaller total amount of bonds in proportion to their capital funds. Also, the country banker will hold in the future a larger proportion of high grade bonds to avoid the danger of sharp fluctuations in value.

There is also a clearer understanding among bankers on the relation of the bond account to bank policy in general, such as dividend declarations, capitalization and rates of interest on deposits. In the past, the buying of bonds and the selling of securities were considered entirely apart from the rest of the bank's operations. As a matter of fact they were always an integral part of bank policy, and in the future must be so considered.

Federal Government's Program of Action

(CONTINUED FROM PAGE 40)

been said that the Reconstruction Finance Corporation benefits only the great city banks and other large institutions. The contrary is true. The great majority of banks which have borrowed from the Corporation are located in small towns. Specifically, on August 31, 70 per cent of the banks to which loans had been authorized were in towns of less than 5,000 population; 86 per cent were in towns of less than 25,000 and 90 per cent were in towns of less than 50,000. Looking at it from another angle, we find that loans have been authorized to nearly 25 per cent of all the banks in the country, these banks having about 15,000,000 of the 40,000,000 bank depositors in the United States. These have been directly affected by the Corporation's loans to banks, while the other 25,000,000 have benefited indirectly by the Corporation's activities in preventing the fire from spreading.

There is no need to emphasize what this assistance meant, not only to the 25 per cent of the banks which received advances, but to all of the banks of the country, their 40,000,000 depositors, the communities which they served, and indeed, the entire economic life of the nation.

Without the Reconstruction Finance Corporation, I think bankers will agree that there is grave doubt whether our banking system could have survived the

terrible strain of this financial panic; and had our banking system gone under, then indeed would the process of building up from chaos have been a long and distressing one.

But, standing alone, even the efforts of the Reconstruction Finance Corporation would have been insufficient. During the period beginning with the abandonment of the gold standard by Great Britain, and ending in June of this year, the commercial banks of the country sustained unprecedented losses of reserve funds through the withdrawal of foreign balances in gold, as well as through the withdrawal of currency by domestic depositors. From the middle of September, 1931, to the end of February, 1932, the losses of funds thus sustained amounted to approximately $1,000,000,000. During this period, member banks were forced rapidly to increase their indebtedness at the Reserve banks; and in their efforts to obtain a more liquid position, reduced their loans and investments at a disastrously rapid rate.

FEDERAL RESERVE POLICY

FROM the end of February to the end of June, the banks sustained a further loss of nearly $500,000,000, due principally to a heavy gold outflow. But, during this second period, the Federal Reserve banks purchased more than $1,000,000,000 of Government securities. This had an all-important effect, not only on the situation of the banks, but on the volume of available credit. By the end of February, the member banks were indebted to the Federal Reserve banks by over $800,000,000. Without these purchases of Government securities by the Federal Reserve banks, discounts would have increased to well over $1,000,000,000. I need not state that when the banks are heavily in debt they restrict credit. If the whole of the gold and currency loss had had to be met by borrowing, restriction would have reached the point of disaster. The open market policy of the Federal Reserve System made this borrowing unnecessary. It did more. It permitted the member banks not only to meet the heavy drains upon them, but to decrease their borrowings from the Federal Reserve Banks by $365,000,000 and to increase their reserves by $150,000,000.

The effects which this had on the general credit situation are reflected by the following figures: Whereas reduction in loans and investments of all member banks for the six months ended June 30 last aggregated $2,500,000,000, weekly reports from member banks indicate that two-thirds of the reduction occurred during the first quarter, and only one-third during the second quarter. Loans and investments of New York City reporting banks showed no net reduction between the end of February and the end of June, and the deposits in New York City member banks showed an actual increase in that period, as compared with a reduction of more than $1,300,000,000 between September of last year and February of this. In all other member banks throughout the country, shrinkage in deposits from February to June was reduced to $800,-

000,000, as compared with a decline of almost $3,500,000,000 from September to February.

To anyone who understands the problem, these figures spell out the indispensable character of the service rendered by the Federal Reserve System through its open market policy in arresting the contraction of credit which was bringing disaster all along the line, and in meeting demands which not only threatened the integrity of our banking system but imperiled the maintenance of the gold standard itself.

THE TIDE TURNED

THEN, suddenly, the tide turned. The day came when there was a definite realization that those large short-time foreign balances which had been the subject of greatest anxiety, and which had constituted such a severe drain, had reached a subnormal level, with the result that not only had the outflow definitely ceased, but there was every prospect of a large gold movement in our favor. The cumulative effect of all of our efforts at last began to tell. The strain under which all have labored for many long months was relieved. The blind fear which had led men to doubt our ability to survive disappeared. Whatever disappointments and setbacks might be experienced in recovery from the business depression, the financial panic had been definitely overcome. The national credit had been made secure, the integrity of the dollar was no longer open to question.

From the low point in June to the third week in September, our monetary gold stock increased by about $250,000,000. From July 20 to September 24, the return flow of currency adjusted for seasonal change amounted to approximately $225,000,000. The indebtedness of the member banks was reduced by a further large sum to the lowest level since last September. During the month of August there was a continued strengthening of the general banking situation throughout the country, and bank failures showed a further sharp reduction. Open market purchases were no longer necessary and they were discontinued. Excess reserves aggregated about $360,000,000.

LOOKING BACK

I DESIRE to stress the importance of the last-named factor. If we study the history of previous business depressions, we find that during the latter phases there was a tendency for funds to pile up in the money centers, and this piling up of funds was followed by higher bond prices and then by a resumption of business activity. In 1885, the excess reserves of New York City banks, computed as percentages of required reserves, reached a figure in excess of 60 per cent immediately preceding the upturn in business activity; in 1894, nearly 70 per cent; in 1908, 20 per cent; and 1915, 40 per cent. By September 15 last, excess reserves reached a figure of 20 per cent.

The effect of an accumulation of large excess reserves is to relieve the banks of pressure, to assure business that a shortage of credit will not be an obstacle to recovery, and, finally, after these unearning assets have lain idle long enough, to begin to exert an influence on the banks to put them to work.

Recently—

(CONTINUED FROM PAGE 9)

tour with a discussion of the agricultural problem at Topeka on September 4, and made a swing through the West and to the Pacific coast.

ABROAD

REPLYING to Germany's demand for arms equality, France stated on September 13 that only the Council of the League was empowered to deal with such a request. Great Britain, in a sharply worded memorandum published September 18, supported the position of France on this question. While recognizing the moral justification of the German plea, the British note urged her re-entry into a disarmament conference in which all heavily armed nations should pledge reductions. In an effort to bring Germany back into the fold, Great Britain took steps to bring about a four-power conference in London to consider Germany's withdrawal from the Geneva conference. Meanwhile the meeting of the disarmament conference bureau was indefinitely postponed.

On October 3, the long awaited report of the Lytton Commission, appointed by the League to investigate Japan's Manchurian activities, was made public. It found absolutely and unanimously against Japan in her conflict with the League and the United States as to the methods used to advance her position in China. It proposed a plan of settlement by direct negotiations, but made both the plan and procedure dependent upon Manchuria's remaining definitely under Chinese sovereignty while becoming autonomous and demilitarized. The report seems to have pleased few. Japan describes the Lytton suggestions as "castles in the air"; China had hoped the (CONTINUED ON PAGE 71)

Banking Along the Ohio

(CONTINUED FROM PAGE 31)

Fifth Third Union Trust Co., Cincinnati, Ohio (1863).
First National Bank and Trust Co., Covington, Ky. (1865).
First National Bank, Aurora, Ind. (1864).
First National Bank, Vevay, Ind. (1864).
First National Bank, Madison, Ind. (1862).
National Branch Bank, Madison, Ind. (1832).
First National Bank, Louisville, Ky. (1863).
Citizens Union National Bank, Louisville, Ky. (1863).
Security Bank, Louisville, Ky. (1867).
New Albany National Bank, New Albany, Ind. (1865).
First Bank and Trust Co., Cairo, Ill. (1865).

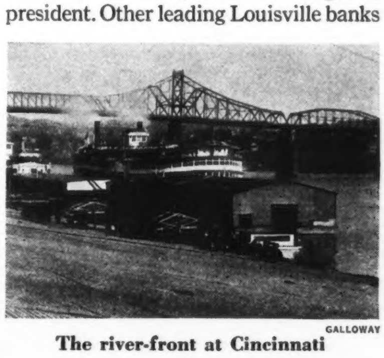
Other banking institutions along the Ohio, below Pittsburgh, that have been established for half a century include:

East Liverpool, Ohio, First National Bank (1874).
Wheeling, W. Va., Wheeling Bank and Trust Co. (1870).
Bellaire, Ohio, First National Bank (1871).
Moundsville, W. Va., Marshall County Bank (1881).
Marietta, Ohio, Dime Savings Society (1871).
Pomeroy, Ohio, Pomeroy National Bank (1872).
Gallipolis, Ohio, Ohio Valley National Bank (1872).
Maysville, Ky., State National Bank (1882).
Cincinnati, Ohio, Lincoln National Bank (1873).
Cincinnati, Ohio, Western Bank and Trust Co. (1875).
Newport, Ky., American National Bank (1882).
Lawrenceburg, Ind., Peoples National Bank (1881).
Rising Sun, Ind., National Bank of Rising Sun (1872).
Carrollton, Ky., First National Bank (1881).
Louisville, Ky., Fidelity and Columbia Trust Co. (1882).
New Albany, Ind., Second National Bank (1874).
Evansville, Ind., Peoples Savings Bank (1870).
Evansville, Ind., Citizens National Bank (1874).

And now the Ohio River, after being outrivaled by the railroads, is again becoming a great line of transportation. At a cost of some $116,000,000, the river has been practically canalized. Fifty locks and dams have been constructed between Pittsburgh and Cairo, securing a channel nine feet deep even at low water along the 981 miles of the stream. The freight transported on the river has increased from 4,600,000 tons in 1917 to more than 22,000,000 tons. The waterway is adaptable to the transportation of coal and building materials, and has greatly increased the possibilities of the coal and iron deposits south of the Ohio. And a number of the river cities have apparently started upon another growth.

LOUISVILLE'S GROWTH

LOUISVILLE, for example, has increased in population as much in the past decade as it did in the 30 years between 1890 and 1920. It has erected a splendid bridge over the Ohio at a cost of $4,750,000, financed by the amortization of the bridge tolls. These long-established banks already mentioned are still among the leading institutions in promoting the progress of the city: Liberty Bank and Trust Co. (1854), A. P. Winkler, chairman; and J. E. Huhn, president; First National Bank (1863), Ralph C. Gifford, president; Citizens Union National Bank (1863), J. D. Stewart, chairman, and John R. Downing, president; and the Fidelity and Columbia Trust Co. (1882), J. D. Stewart, chairman, and M. Wirgman, president. Other leading Louisville banks of today, with at least $1,000,000 capitalization, are the Louisville Trust Co. (1884), Wm. J. Rahill, president; and the Kentucky Title and Trust Co. (1900), Ralph C. Gifford, president. The Federal Intermediate Credit Bank, A. G. Brown, president, is also located in the city.



GALLOWAY

The river-front at Cincinnati

CINCINNATI AND ITS BANKS

BUT, rapidly as Louisville has been growing, Cincinnati still claims the title of "Queen City of the Valley." Cincinnati manufactures $500,000,000 worth of products besides having, just outside the city limits, the largest soap factory in the country. In fact the soap products of the district are estimated at $100,000,000 a year. The city has nine railway systems to aid in the distribution of its manufactures, while the newly improved river transportation is making it a great center for coal and raw materials.

The historic banks of Cincinnati now helping in this development include the First National Bank (1863), T. J. Davis, chairman, J. J. Rowe, president; Second National Bank (1863), J. G. Gutting, president; Fifth Third Union Trust Co. (1863), E. W. Edwards, president; Lincoln National Bank, (1873), Louis J. Hauck, president; and the Western Bank and Trust Co. (1875), Frederick Hertenstein, president. Other leading banks of the city, having a capitalization of $1,000,000 or more, are the Central Trust Co. (1883), C. W. Dupuis, president; and the Provident Savings Bank and Trust Co. (1901), B. H. Kroger, chairman, and L. J. Van Lahr, president.

How Ontario Is Adding $1,000,000 a Week to the World's Gold Supply

By

HON. CHARLES McCREA

Minister of Mines for Ontario

IN THE past quarter of a century the Canadian province of Ontario has become more and more metal-conscious. Our people have awakened to the importance of the mining industry as a basic source of wealth. To the end of 1931 Ontario had produced minerals, including metals and non-metals, to the value of $1,841,478,896, of which $1,256,443,761 was in metal production. Of this output, over $1,000,000,000 worth was produced in the last 25 years—representing 80 per cent of the total.

The metal mining industry of Ontario has displayed remarkable vitality and independence, and has grown to its present maturity without the aid of artificial props, as the following dividend figures demonstrate:

	To end of 1931.
Nickel-Copper Production ..	$462,607,070
Dividends paid	145,043,210
Gold Production	394,238,409
Dividends paid	119,088,885
Silver-Cobalt Production	278,652,430
Dividends paid	97,576,281

These combined figures show that almost 32 per cent of the total output of the mines has been paid to shareholders. The dividends paid by the gold mines of Kirkland Lake last year amounted to 40.8 per cent of the income. Very few industries or business concerns today can match the picture of profits that is presented by these figures.

Naturally, with the world-wide decline in the consumption of base metals, Ontario's production in this respect has fallen off in the past two years. But this condition has been to a considerable extent offset by the upswing in gold production. Ontario today is producing gold at the rate of about $1,000,000 a week. Last year the total output amounted to $43,117,688 apart from the premiums on exchange, which brought the value up to nearly $45,000,000. Judging from the present rate of output, the production for 1932 should rise to a new peak of $50,000,000.

The leading gold mines of Ontario are still in their prime and cannot be said to have reached their maximum of production. Development at the Porcupine camp and Kirkland Lake camp has been carried to depths of from 3,000 to 4,000 feet, and there appears to be no reason why many of the mines should not continue to operate to depths of 10,000 feet and even lower levels.

A feature of gold mining in Ontario is the thorough mechanization of the operations, made possible by an abundant supply of electrical power.

HOW IT IS DONE

MINING methods include the concentration of haulage on main central levels, the crushing of ore underground to a uniform size, the hoisting at high speed through centrally located shafts, crushing on the surface to a product suitable for transportation in conveyor belts from frame-head to mill, "tugger" hoists at stope man-ways to expedite transportation of mine supplies, adoption of gelatin and ammonia dynamites as better suited to climatic and mine conditions than "straight" dynamite, and immediate waste filling especially as greater depth is reached.

In metallurgical practice, stamps have been discarded in favor of rolls or ball and rod mills. Flint pebbles have been replaced by iron or forged-steel balls. All-sliming, thickening and cyanidation is now the rule. Much study has been given to filtration and cyaniding methods, and improvements have been made leading to a higher concentration of gold values. Concentrates produced by oil flotation of cyanide tailings are ground in a strong solution of cyanide and agitated in a new type of agitator, the pregnant solution being sent to the precipitation unit.

The latest development is the use of flotation as a primary treatment of the ore. Reduced to 60-mesh, it is sent at once to the flotation cells which remove the sulphides plus free and attached gold. These concentrates comprise about 15 per cent of the original ore and are subsequently treated; the remaining 85 per cent is waste and, as waste, is rejected. The advantages are apparent—

a substantial lessening of plant construction and equipment costs.

Ontario mines, too, are fortunate in the labor they employ and in the absence of strikes or labor troubles. Gold mining is the only industry which has increased both output and profits without lowering wages. It has also enjoyed the benefit of being paid for its product in United States' funds at a premium averaging perhaps 15 per cent.

Large areas have yet to be prospected thoroughly for minerals. The Ontario Department of Mines carries out a program of geological exploration every summer in various sections of northern Ontario. This work has been carried on for many years by an expert staff, and by this means a complete geological picture of the province is being acquired in the form of survey reports and maps. The Department also conducts prospectors' classes during winter months in the mining centres and in several of the cities. Our schools and universities are turning out young men trained in geology, chemistry, mineralogy and mining engineering, and it is to this rising generation of experts that we look for further development.

Statement of Ownership

¶STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912, of AMERICAN BANKERS ASSOCIATION JOURNAL, published monthly at New York, N. Y., additional entry at Greenwich, Conn., for Oct. 1, 1932.

¶State of New York, county of New York, ss. Before me, a Notary Public in and for the State and county aforesaid, personally appeared L. E. Lascelle, who, having been duly sworn according to law, deposes and says that he is the business manager of the AMERICAN BANKERS ASSOCIATION JOURNAL and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and, if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 411, Postal Laws and Regulations, printed on the reverse of this form, to wit:

¶1. That the names and addresses of the publisher, editor, managing editor, and business managers are: Publisher, F. N. Shepherd, 22 East 40th Street, New York, N. Y.; editor, F. N. Shepherd, 22 East 40th Street, New York, N. Y.; managing editor, William R. Kuhns, 22 East 40th Street, New York, N. Y.; business manager, L. E. Lascelle, 22 East 40th Street, New York, N. Y.

¶2. That the owner is: (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding one per cent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a firm, company, or other unincorporated concern, its name and address, as well as those of each individual member, must be given.) The American Bankers Association, 22 East 40th Street, New York, N. Y. (A voluntary unincorporated association of banks: Francis H. Sisson, Guaranty Trust Company of New York, New York, N. Y., president, and F. N. Shepherd, 22 East 40th Street, New York, N. Y., executive manager.)

¶3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: none.

¶4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

¶5. That the average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, to paid subscribers during the six months preceding the date shown above is.—(This information is required from daily publications only.)

L. E. LASCELLE,
Business Manager.

¶Sworn to and subscribed before me this 27th day of September, 1932.
¶Elizabeth Rautanen, Notary Public, Bronx County, New York Co. Clk's No. 156, Reg. No. 4R34; Bronx Co. Clk's No. 20, Reg. No. 26R34. Certificate filed in Westchester County.
¶(Appointment expires March 30, 1934.)

The Share-the-Work Movement in Relation to Banking

(CONTINUED FROM PAGE 16)

one of the life insurance companies, which already was operating on a 40-hour week basis through the summer has extended the shorter week to the rest of the year.

Part-timing was adopted in some of the telephone companies as far back as 1930 to retain employees in the face of a diminishing volume of business. The practice was extended throughout the system until early this year practically all the companies were on a maximum working schedule not to exceed five days a week for everyone, including executives, with proportionate pay reductions.

One of the eastern steel companies is employing 35 per cent more people in its offices than present business would require. This work-sharing has been accomplished by the use of a schedule varied to fit the needs of departments.

Bankers feel that it is undesirable to apply the principle to positions in contact with the public, such as tellers. A hotel system has met a similar problem in its front office by a study of the flow of traffic, taking advantage of the lighter hours. In positions where the question of divided responsibility is a factor, a number of companies arrange for employees to accumulate half-days off, taking these in longer vacations once or twice a year. Similarly in the management divisions of a number of companies it has been found possible to rotate time off.

One unexpected result of work-sharing in many businesses has been a clarification of operating standards through the departmental studies made preliminary to instituting the system. This frequently has brought about improvement of methods and has given the management a closer gauge of personnel and operations than it had before. In any work-sharing system, periodic reviews of the earnings and needs of employees in lower wage groups are advisable to insure against hardship from spreading the work too thin. The attitude of employees toward work-sharing has been almost invariably one of cooperation and of readiness to share their employment with others less fortunate than themselves. I hope that our bankers will not do less than the workers.

Recently—

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League would order Japanese evacuation of Manchuria under force of arms; Russia saw it as an attempt to lay the groundwork for the "partitioning of China"; and the German view was that it was "a weak compromise", offered to win American support for the League.

On September 12, Mahatma Gandhi announced his intention to starve himself to death unless the British government reversed itself and withdrew its scheme for communal electorates for the "untouchables"; and on September 20 he commenced his fast. His martyrdom was made unnecessary, however, when on September 24 the leaders of the "untouchables" and the caste Hindus signed a historic document settling their major political differences.

On September 28, three members of the British cabinet who had opposed the Ottawa trade agreement resigned on this issue. They were Viscount Snowden, Lord Privy Seal; Sir Herbert Samuel, Home Secretary; and Sir Archibald Sinclair, Secretary of State for Scotland.

On October 3 the last relic of British rule disappeared from Ireland as President de Valera, invoking a resolution of the 1930 Imperial Conference, swept out of office the King's representative in the person of Governor General James McNeill.

The German Reichstag was formally dissolved by Chancellor von Papen on September 12, and November 6 has been set as the date for a new Reichstag election. Following permissive action by the Bank for International Settlements, the Reichsbank reduced its discount rate on September 21 from 5 to 4 per cent.

France, on September 23, announced the successful completion of its bond conversion scheme under which 86,000,000,000 francs in obligations bearing 5, 6 and 7 per cent were refunded at 4½ per cent. Demands for cash amounted to less than 1 per cent of the total.

On September 14 Japan and Manchukuo signed a protocol establishing a defensive alliance. Brazil's three months' civil war was concluded on October 3, when the rebels laid down their arms.

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Editorials

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of those colleagues who were up for reelection. It happened that a former banker was a member of this legislature and was able to explain how the bill contained a fundamental fallacy which might well have wrecked the financial structure of the state.

ALOOF

LAWS are made in committees and members of committees come from every part of the commonwealth and out of all professions. If men of little experience or of unfair minds are sent to our legislatures, we can expect unfair, biased laws. It would be a good thing if banking committees could be made up of men versed in banking. Bankers as a class, however, by habit and preference, remain aloof from politics.

The next best thing is to study your Federal and state legislative bodies, particularly the men who represent you.

At this moment, tucked away in pigeon-holes and desk drawers, or existing only as hunches, are hundreds of plans for restoring prosperity tomorrow morning by the simple method of hampering the operation of banks.

Clinical Methods Program Will Widen Scope of A. I. B. Work

The Plan for the Institute's New Graduate School

AT the Annual Convention of the American Bankers Association in Los Angeles Dr. Harold Stonier, Educational Director of the American Institute of Banking, announced a new plan for expanding the usefulness of the Institute. It will be of outstanding interest not only to every Institute graduate, but to every bank officer in the country, who has had brought home to him during recent years the vital need for specialized study and experience in the major problems of banking.

The new plan proposes the launching of an Institute Graduate School, probably first in New York City, to be opened in 1933 or 1934, and to concentrate on these five major subjects of an advanced nature:

1. Bank management
2. Trusts
3. Credit
4. The investment portfolio, and
5. The laws relating to the operation of national and state banking systems as well as the Federal Reserve System.

The graduate school will be conducted on an intensive basis for two or three weeks during the summer and will be under the direction of a faculty of exceptional weight and experience. Two faculty members, both foremost in their particular fields, have already been selected to head the work.

This is a step into a field where no pathways have yet been blazed, where all the basic material must be gathered from national surveys by the various Divisions and Sections of the American Bankers Association, and where for the first time a clinical approach will be made toward the problems of banking and bank management.

Upon the results of this experiment depends the spread of the work to every nook and corner of the banking world over the vast nation-wide net-work of 231 chapters of the Institute, and everyone interested in the future of banking will give this forward-looking plan careful study to determine how best to use it for his own benefit and for the benefit of his bank.

DR. STONIER

The very foundation of the plan is research—bringing together previously uncorrelated data and unchecked experiences. It is out of such studies as these and the organization of their results into such form that they are available for practical daily use, that banking can most quickly attain its goal of maximum usefulness.

Once the basic material is secured, there must be an educational organization which will co-ordinate and then utilize it for the instruction of those for whose use it has been compiled. The logical machinery for accomplishing this is the American Institute of Banking, and in this added sphere of usefulness it can be depended upon to equal or surpass its broad achievement of building up, in less than one generation, an educational structure which outnumbers in enrollment the combined student bodies of three of our greatest universities.

A recent report by the Carnegie Foundation for the Advancement of Teaching stated, "The American Institute of Banking has had a profound influence on the progress of banking. Not only has it levelled upward the lower ranks of the banking employees but it has given them a quasi-professional status, moreover, that has tended to break down the class barrier within the profession. The clerk is finding the means to become a banker and the banker himself is perhaps in the end better grounded than he would be otherwise were it not for the work of the American Institute."

16,000 GRADUATES

PRECEDING the announcement of this new program was a thorough survey of the possibilities for such a graduate school, following a suggestion advanced by former President Haas of the American Bankers Association in the early days of his administration, and conducted by the Public Education Commission under the Chairmanship of John H. Puelicher of the Marshall and Ilsley Bank of Milwaukee.

The survey revealed the fact that there were 16,000 graduates of the American Institute of Banking—many in executive position—who might put to profitable use a highly concentrated course of study, while there were many thousands of other bank officers who were not members of that organization but to whom so specialized a training would be beneficial. A modest start was decided upon because of the lack of essential material, but it will eventually be national in scope.

Great though the past accomplishments of the Institute have been and the part it has taken in the promotion of thousands of alert young men and women, its greatest opportunity and achievements still lie in the future. Its alertness to the need for a post-graduate school and its determination to serve this need, even at the heavy cost of the essential preliminary research work along entirely new trails, affords the best evidence of the benefits which banking may expect to receive.

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